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STANDING COMMITTEE ON RESOURCES DEVELOPMENT
ORGANIZATION

MONDAY, JANUARY 26, 1987



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Reville, D. (Riverdale NDP)

Bernier, L. (Kenora PC)

Caplan, E. (Oriole L)

Gordon, J. K. (Sudbury PC)

McGuigan, J. F. (Kent-Elgin L)

Morin-Strom, K. (Sault Ste. Marie NDP)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

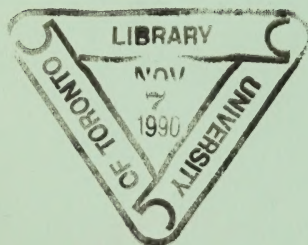
Substitutions:

Lane, J. G. (Algoma-Manitoulin PC) for Mr. Gordon

Wildman, B. (Algoma NDP) for Mr. Reville

Clerk: Decker, T.

Assistant Clerk: Manikel, T.



LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday, January 26, 1987

The committee met at 3:44 p.m. in room 151.

ORGANIZATION

Mr. Chairman: The standing committee on resources development will come to order. We have before us a motion that was deferred. We will not have a quickie vote or anything such as that. We can sort that out as we go. The following motion was put by Mr. South and then deferred:

"Subject to the approval of the House, the committee will meet to consider the estimates of the Ministry of Northern Development and Mines on the evenings of Thursday, January 29; Monday, February 2; and Monday, February 9."

It was moved by Mr. Reville that it be deferred. That is the motion that is before us now. Mr. Wildman, do you wish to speak to it?

Mr. Wildman: I have to make a call and then I will come back.

Mr. Chairman: That would mean that we would sit three evenings.

Mr. Bernier: If I could open up the debate on the motion, I point out, as I did earlier, that some of us who have been around this Legislature for a few years have been looking forward to some changes and some reforms with respect to the hours of sitting. After some considerable time, I think I did compliment the Premier (Mr. Peterson) on making those changes. The hours of the Legislature are much more civilized now than they have ever been. I think they are working out very well. We sit only four days a week. They are four full days; there is no question about that.

To ask us now to sit at night would be going right back and rolling back the hands of the clock and throwing out all the things for which we worked and which all of us desired. I think we put in a good day here. We can return to our ridings on Friday. We work Friday and Saturday in the ridings; so it is a six-day week for most members.

The Ottawa situation, where they do not have night sessions, has proven that it works out very well. I find it hard to agree to setting this precedent. Once you set the precedent, it will be never ending. There will be all kinds of reasons to extend the hours of the committee meetings in the evenings on a number of occasions.

When we think that we have a government that has imposed the ministerial responsibilities of more than one ministry on a minister, it is difficult to see how its ministers can find the time they do to come before the standing committees to debate their estimates. I see a real problem not only in the examination of these estimates but also of many others.

In fact, I think I saw in Orders and Notices where the Ministry of Intergovernmental Affairs is coming before some committee. I do not know how

one minister can be in three different places at once. It makes it very awkward for us and I think it is very unfair to the private member.

Mr. Chairman: Thank you.

Mr. Offer: I have listened closely to what the member for Kenora (Mr. Bernier) has indicated today and to what some of the members indicated the last day we sat. I understand that approximately two weeks ago today it was acknowledged by the members, with respect to estimates at hand, there is going to have to be some flexibility because the Premier is the minister responsible at this time. There was an acknowledgement that there would have to be flexibility from the members because it was their direction that the Premier must be in attendance and they would not allow the estimates to proceed for one moment in the hands of the parliamentary assistant. That is something the committee very rightly has within its discretion to determine and it has made that determination.

The Liberal members of this committee have discussed this point with respect to sitting in the evening. We feel the issues to be raised in these estimates--the questions, the accountability, the understanding, the direction--are extremely important, and if the committee so desires, as it has already indicated, that those issues, directions, understandings and accountability be brought directly to the minister at hand, they should be.

However, we believe the importance is not diminished when the questions are posed at 3 p.m. in the afternoon as opposed to 8 p.m. in the evening. The issues are no less important. We feel very strongly that this committee should sit in the evening so as to accommodate the demands made on the Premier's office. We feel the issues should be discussed with the Premier, as the committee has decided, and that evening sittings in this case should happen.

The member has brought forth the problem of precedent. It was not long ago that in another time and on another issue of what some would call equal importance, that dealing with Bill 30, separate school funding, the standing committee on social development at that time decided that precedent should be set by sitting on a Saturday, because for those people who wanted to bring their concerns on that issue to the committee, it had best be done and it was done.

Mr. Chairmen: Is that while the House was in session?

Mr. Offer: No, the House was not in session.

In this case, we have issues of no less importance, on which particular members of the Legislature wish to bring their questions and concerns to the Premier. We feel if that can best be accomplished by sitting in the evening, while understanding precedent, that is what should be done. That is why we support the motion by my colleague the member for Frontenac-Addington (Mr. South) and, on that basis, hope the rest of the committee members would also agree, in this manner, at this time, with these estimates, that the sittings should be carried on in the evenings, so that we can fully, comprehensively, clearly and undeniably give to these estimates the importance they so richly deserve.

Mr. Wildman: I want to make a couple of points. First, I think it is unfortunate that we are using so much of the committee's time to talk about schedule. I think that relates to two problems. One, although I am not a

member of this committee, I would say it might be appropriate to find another forum in which to discuss schedule, rather than the actual committee time.

The other reason for it is, I th'nk, a lack of commitment by the Premier's office. I do not know whether that is as a result of the Premier himself or just his scheduling people; but everyone on this committee realizes that in early December the House leaders were informed this committee was going to be looking at the Ministry of Northern Development and Mines estimates early in January when the House resumed.

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It seems to me it was incumbent upon the people in the Premier's office in charge of the Premier's schedule to look at that and block off a number of days, probably only three or four at the most, during which the Premier would be available to do these estimates. I think the fact they have not done that certainly indicates, unfortunately, that those people in charge of the Premier's schedule do not take these estimates very seriously.

Obviously, they are very receptive to requests for the Premier's presence outside this place. We all recognize that is an important part of the Premier's job, but to give those kinds of requests a higher priority than these estimates, I think in itself makes a statement about at least the view of the Premier's office of the importance of the Ministry of Northern Development and Mines and the estimates for which that ministry is responsible. I think that is most unfortunate.

I said last week I recognized the heavy schedule the Premier was keeping. I recognize that he is out of the country this week on an issue of great importance to northern Ontario. We as a party were prepared to accommodate, if possible, the Premier's schedule. I also understand the concern the committee had about setting a precedent of sitting in the evenings when it had a new schedule which, according to the rules, prohibited that.

I had hoped that, perhaps through discussions among the House leaders, a compromise could be reached. At the risk of offending some people, I must say I do not think the approach the Premier himself has taken to these estimates so far is conducive to much of productive value. The discussion over who has too many peanuts and whether eating too many peanuts makes one thirsty does not really contribute to development in northern Ontario. We do not grow peanuts in the north.

I suggest that if there is a compromise available, we should look at it very seriously. Perhaps one of the ways to do that is to adhere to the schedule set forward in the new rules--that is, sittings during the day and perhaps, although this is a sacrifice on the part of an opposition party, a cut in the number of hours for the estimates--as long as we have a solid commitment that the Premier will be available for a certain number of days and that this committee will know he is going to be available.

Obviously, emergencies can come up, but I am talking about a commitment that the Premier will be available. If that kind of compromise is acceptable to committee members and if we can get that kind of commitment from the Premier's office, I suggest that might be the way to resolve this problem and get out of the situation of having this committee spending all its time talking about its schedule rather than the estimates.

Mr. Chairman: Just on that note, before we go to Mr. McGuigan, who is next, we are striking a steering committee that will, in future, resolve the scheduling of the committee. I agree with you that we cannot spend all our time as a whole committee discussing scheduling.

Mr. McGuigan: I just want to remind all members that minority governments are difficult situations for all of us. It has resulted in the Premier and other people having to have more than one ministry under their hands.

Mr. Bernier: Not necessary. There are a lot of good back-benchers around, some in this room.

Mr. McGuigan: We would not want to quarrel with you on that.

Mr. Pierce: If you would like, we would certainly be prepared to draft a letter to that extent, that we feel there are some good back-benchers who are not being used to their fullest.

Mr. Wildman: I do not know; north is north and south is south and never the twain shall meet.

Mr. McGuigan: Thank you for the vote of confidence.

Mr. Pierce: I know there are some sym-athies in the back benches--

Mr. Chairman: Let Mr. McGuigan finish.

Mr. McGuigan: In spite of the fact that there are a great many good people to choose from, we still have to have people for the committees, so there is a limit to the number of people who can be in cabinet. Sometimes, when you look at what they go through, maybe they are welcome to it.

Mr. Pierce: Are you suggesting, Mr. McGuigan, that you would turn down the job as Minister of Northern Development and Mines?

Mr. McGuigan: No, I have not done that, but I have not begged for it either. It does require a good deal of co-operation and, so far, I think we have had that co-operation.

On the matter of precedents, I do not know whether it applies directly, but we did meet this summer on the standing committee on public accounts. Hardly ever did we retire before 10:30 p.m., and on one particular evening we went to 12 o'clock. It was an awful grind. It wore me down and wore down other people. We did that last summer. Of course, the House was not sitting, but nevertheless, it has been done. I think we would ask the members' indulgence in this particular case to try to accommodate the Premier.

I have to agree with comments made that people in his office may not have been as co-operative as they should have been. I guess if you stop and think about it, there are probably dozens of requests that come in every day for the Premier's appearance, and it is pretty hard, even for them, to block off three or four days. Each one of us knows how hard it is for us to block off three or four days, and we are minor compared to the requests that are made upon him.

As for the suggestion that fewer hours be used, the government would probably be the last group of people to object to fewer hours being used. At

the same time, we think the public should be entitled to as much time as opposition parties want to scrutinize the activities of the government. However, that would certainly be one way out of our dilemma.

I would like to close by asking all members for their best co-operation to see if we can accommodate this thing and get it over with in the interests of all the people of Ontario.

Mr. Stevenson: I want to review some of the things here that are clearly facts in the situation so we really understand where we are coming from on this decision.

First, the Premier and his schedulers have known when these estimates were coming up since early December, and no one can deny that. That was there, they knew it and they had to decide whether these estimates were a priority, relative to the other tasks the Premier has to do at this time. Very clearly, in setting up his schedule, these estimates were not a priority because they have basically been scheduled out of his schedule as far as the normal hours of this House are concerned. That is perfectly clear.

The Premier or his advisers have deemed that these other issues are more important to his time during the work hours of this Legislature than are the estimates of the Ministry of Northern Development and Mines. The problem this committee is facing right now in dealing with these estimates has very clearly been caused by the Premier and/or his staff by the fact that they did not deem these things important enough to schedule into his business hours' schedule.

That is where the problem lies and that is the problem this committee is now dealing with. The many hours--minutes for sure, and I guess we must now be into hours--this committee has spent trying to deal with this problem is not the problem of the individual members, but the problem of the Premier or his staff, or both, in creating this problem for us. It is a matter of establishing the priorities for the Premier's time.

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Clearly, if they felt these estimates of the Ministry of Northern Development and Mines were significant enough, they could have been scheduled at the time everything else is scheduled around here. Other business the Premier must do could have been scheduled outside of committee time. They had that option. They did not take it up. There is no argument in that area. Very clearly, this committee and the estimates of the Ministry of Northern Development and Mines were not deemed a priority.

Secondly, we have heard about flexibility. The Premier himself stated that when Premier Davis was in that position, accommodations were made for him. I know that is the case, but I also know those accommodations from 1981 to 1985, which is the time I have been here, were made within House hours. I know things were shifted from one afternoon to another, from one morning to another or whatever the case may have been, but certainly in my time, we never shifted things outside normal House hours. Whatever problems he may have faced in scheduling, if he had other business to attend to that he or his people deemed had to be done, then that was done outside the hours of the House. Clearly, this Premier has the same options available to him as Premier Davis had.

As far as I am concerned, every member of this committee today is eager to be every bit as flexible as the opposition members were at the time when Premier Davis had the job. We are prepared to rearrange the schedule of this committee in the usual hours of sitting for all members to accommodate these estimates. We do want to get on with it. As far as I am concerned, our position today is exactly the same as it had been in previous years, and we are certainly not changing any rules there and not being any more difficult.

As far as the Premier's time goes, I do not argue that he is busy, as all the rest of us are. Certainly, we have meetings at nights and so on on a regular basis. The Premier has made the decision that he will carry certain loads. He has taken on extra jobs which, of course, is not a problem this committee has to deal with. It is his decision to carry those extra responsibilities over and above those of the Office of the Premier.

Those responsibilities that relate to the Legislature should be carried out on regular Legislature time. He can lighten that load if he wishes to. He can spread the duties around. We have said there are capable people on the back benches. If he does not have confidence in them, that is his problem. We do not have to alter the schedule of this committee to counteract his inability to delegate the responsibilities within his caucus.

To review very quickly: first, the problems faced by this committee today and on the day of our previous meeting were caused 100 per cent by the Premier or his staff, or both. Second, we are prepared to be as flexible as any caucus or any private members have been in the history of the time I have been here. Third, the extra load the Premier is carrying is based on his decisions, not anybody else's. As a party, we strongly believe he should make the same decisions and scheduling priorities each one of us has to make relative to our House duties, and he has not chosen to do that.

We will go along with the compromise proposed by the member for Algoma (Mr. Wildman) to sit in this committee to whatever extent possible within the regular hours of the House that the Premier can. The Premier should give to this committee and these estimates whatever time he thinks northern Ontario is worth.

Mr. Laughren: Thank you, Mr. Stevenson. That is helpful.

Mr. Morin-Strom: First of all, I have a question of the chairman. If we do not pass the motion on the table, what would the committee be able to do in terms of other business as the Premier is looking at rearranging his schedule to determine what might be available during regular sitting hours?

Mr. Chairman: That is exactly why we want the steering committee to function. I think that becomes impossible to deal with in a full committee. As a matter of fact, I think there should have been a steering committee struck before this, and I take some responsibility for it not having been done.

Second, now that I have the floor, I think there is something important at stake in this whole debate, and I will tell you what I think it is. Without exaggerating it, it has something to do with the integrity of the committee system around this place.

As a long-term member--15 years is a long term in politics--I think committee work is the trenches work around this place. I have always regarded committee members as being the foot-soldiers. They get a lot of work done that

the chamber simply cannot do. If committee work is demeaned, if I may put it bluntly, by being given the back of the hand by the system, not just by the Premier but by a minister or whomever, the committee system and the perusal of estimates will not be taken seriously. That is the only opportunity to go through the substantial amounts of money that is spent on behalf of the public. We are talking about billions, not millions.

This is an important debate. Regardless of the outcome of it, I suggest we write a letter to the Premier's office expressing how frustrating it has been to try to do proper scheduling. This committee took its responsibility seriously throughout the last year and held some pretty substantial hearings. We tried to get in our schedule early, in December, so that everybody could schedule his time around it, and it did not work.

It is an important debate we are having. I hope it will mean committees will not be trifled with when they set a schedule and serve notice that this is what they intend to do. Otherwise, as a long-term committee member, I would feel used by the process. I hope that that does not happen again, because it really is not fair to the ordinary members of this assembly. I will get off my soapbox.

Mr. Morin-Strom: I agree with a lot of the comments we have heard, particularly those of my colleague the member for Algoma in terms of concerns about the time that is being tied up here in the scheduling and the fact that this scheduling was not determined a long time ago.

We knew when this committee was going to be meeting when we came back at the start of January. The Premier has not just taken over that portfolio; he has had it for a good while. His office should have been able to recognize many months ago what time was going to be required for these committee hearings and ensured that he was available as much as possible during the six weeks that we are planning to sit at this point.

I do not think it requires the full session of those six weeks. To find four or five days in that period should not have been such a major problem. I hope the Premier's office can look at what times might be available and schedule every hour possible up to the full commitment that we were anticipating for the Northern Development and Mines estimates, so that we can get on with the job.

Mr. McGuigan: I would not want to defend the Premier's office for the way it treated the committee, but I cannot let the remarks go unchallenged that the Premier put a low priority on the matters of Northern Development and Mines. The fact that he took the portfolio himself illustrates the priority he placed on it.

On the matter of flexibility, he probably thought members here would be a little more flexible than they are, because everyone knows our day does not end at six o'clock. Surely, the official hours of the parliament sitting end at six o'clock, but I would venture to say that if you went around to the offices of most of us sitting here, or at least a representative average of members, you would find people sitting in their offices. We do not all walk home and take the evenings off and spend them bowling or movie-going or TV-watching or whatever. Most of us are working. I reject the suggestion that it was a matter of priority with him.

In addition to the problems that any minority government has, we have had thrust upon us the matter of free trade, the importance the Premier has placed upon that, and the troubles that have come in the matter of free trade. Softwood lumber, I have only to remind you, is one item; the auto pact is another item. The matter of layoffs and shutdowns and so on that have occurred in the last few months have put an additional burden upon him and upon all of us.

I support the member for Durham-York (Mr. Stevenson) and his party having the right to take the position they have. I wish they had not, but I support their right to do that. I suppose that really means that if the majority of us here won the vote, the members of that party would not attend the meetings, so it would be a rather hollow victory if we forced it through upon them.

It appears the only option we have left is to try to reschedule within the daylight hours, which may possibly mean cutting hours out of some very valuable work.

Mr. Wildman: I have high respect for my colleague the member for Kent-Elgin (Mr. McGuigan), but I must say the proof is in actions rather than words. The fact is that since the House opened on January 12, as I count it, this committee had seven days up to now, in which case we would have completed the damned estimates if the Premier had been available. Instead, we are still talking about schedules.

I think we have the elements of a compromise. It is not one that any of us are happy with, but I accept the proposal made by the chairman that a letter be sent by this committee to the Premier expressing our frustration and dissatisfaction and requesting a commitment of days and hours that the Minister of Northern Development and Mines, the acting minister, will be available to deal with these estimates and a commitment that he will be available on those days.

Mr. Pierce: I cannot help but comment on the remarks made by Mr. McGuigan about the Premier's concern for northern Ontario by accepting the role as the Minister for Northern Development and Mines and thus indicating his concern. That goes beyond accepting the ministerial position. You also have to be able to accept what is required of a minister, which is to be able to perform and be available as your schedule requires you to be. Everybody here has indicated the amount of time we have spent in this committee doing nothing but talking about scheduling when we have an agenda as long as any committee in this Legislature. Just as Nero watched Rome burn, we have fiddled away so many hours when we could have done other items had we known, prior to all this loose-ended talk we got involved in, what the Premier's schedule was going to be.

As I understand it, we are dealing with a motion on the floor. I call for the question on the motion. Then let us proceed to the next step.

Mr. Chairman: I have only one more speaker. Will you allow that one speaker?

Mr. Pierce: Certainly.

Mr. Bernier: I would like to wind up with a few words.

Mr. Chairman: Wait a minute now. Mr. Offer was next.

Mr. Offer: It is my understanding that when one talks about priority and importance, the Premier's office did provide a series of days, and hours within those days, when the Premier would be available.

Mr. Chairman: Two days.

Mr. Wildman: Three.

Mr. Offer: I understand that many of those days and hours were rejected by this very committee. When we talk about the Premier, the minister, not being available, let it be clear that is, in many ways, at the behest of this committee.

Mr. Chairman: Just to correct you, the committee has not rejected anything at this point.

Mr. Offer: I understand that the last day this committee met there were a number of days proposed by the Premier's office.

Mr. Pierce: It goes beyond just understanding. There is Hansard.

Mr. Stevenson: It is all on the record.

Mr. Pierce: It is not a case of whether you understand or not. Read your Hansard. Let the record show what has been dealt with.

Mr. Offer: We should get clarification on this.

Mr. Chairman: The Premier's office gave us a list of dates he was available. Right?

Mr. Offer: Yes.

Mr. Chairman: Then a motion was put by Mr. South indicating which of those dates the committee could sit in order to complete the estimates. It is as plain and simple as that. The committee has not, at this point, rejected anything. Right?

Mr. Offer: If the committee has not rejected anything, I will withdraw that. But I understand the committee has not--

Mr. Chairman: Accepted it either.

Mr. Offer: The committee has not accepted all those dates prepared and proposed by the Premier's office. Is that correct?

Mr. Chairman: It is not correct in that--

Mr. Offer: I understand the Premier's office proposed a number of dates on which the Premier would be available to hear estimates for this ministry.

Mr. Stevenson: After everything else had been scheduled into his time, what was left over he was prepared to spend on Northern Development and Mines.

Mr. Chairman: But that is in the form of the motion. Those dates are built into the motion put by Mr. South, so that has not been rejected.

Mr. Offer: I am glad to hear they have not yet been rejected. It just seemed that the tenor of the statements was that there were not very many dates and hours proposed by the Premier's office, which is not absolutely correct.

We talk about flexibility. There is a curious definition of flexibility, that flexibility is only up to the hour of six o'clock. I think we should be aware that flexibility can mean something after 6 p.m. I very much agree with respect to the importance of committee work. I do not believe the work of the committee is in any way, shape or form demeaned by the mere fact that the committee happens to be listening to some extremely important issues at seven, eight or nine o'clock in the evening. Committee work itself and the value of committee work are not demeaned. Rather, the committee is trying to be given the absolute ability and the maximum amount of hours allocated to address the issues of estimates. It is not a matter of demeaning; it is a matter of fulfilling the very valuable work that can take place.

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I would also like to bring to the committee's attention, when we talk about the amount of times and what not, that at our last meeting we took up a full day that should very well and properly have been allocated to estimates by discussing this very issue, a day in which the Premier sat here and listened to us trying to order our business. I say that because there was a very valuable, I suggest, minimum two and a half hours where this committee did not discuss the estimates with the Premier available, but rather discussed the way it would order its business.

Mr. Stevenson: We did it because the Premier put us in that position.

Mr. Offer: I put this out in support of the fact that there should be a steering committee so that these types of matters do not take up the very valuable time of the committee when we have the Premier available.

Once more, I support Mr. South's motion. I would also indicate, Mr. Chairman, that I support your suggestion of the formation of a steering committee. That should be done at the absolute earliest opportunity.

Mr. Bernier: In all my years here at Queen's Park, I have never known a discussion such as this to occur in a committee. I have been on the other side of the fence for 14 years. Never once did I, as a minister, ask for this kind of consideration.

The Premier has the estimates of the Ministry of Intergovernmental Affairs, of the Premier's office, of the Lieutenant Governor's office and of the Ministry of Northern Development and Mines. Common sense will tell you he cannot do all of them and be finished by February 12. It is absolutely impossible to do all the other things that have to be done in this House. I think it is ludicrous and it is an affront to this committee and to northern Ontario to fluff us aside like that and to use the weight of his office to try to get us to sit at night and extend all kinds of things that try to make him look good politically in northern Ontario.

I can tell you it ain't going to wash. His responsibility is here when this committee sits. This time was set last December. He knew there were 16 hours set aside for the Ministry of Northern Development and Mines and he chose to sidestep us very cutely.

Mr. Chairman: Before we call the question, Mr. Stevenson indicated, when he spoke, accepting some kind of compromise. I did not quite understand it. Perhaps he could explain it.

Mr. Stevenson: I was just speaking to the compromise the member for Algoma (Mr. Wildman) mentioned, strictly from his comments in passing. As I understood it, it was his suggestion that this committee be as flexible as possible within the hours the Legislature sits to meet with the Premier and to deal with these estimates to whatever extent of time the Premier deems northern Ontario is worth out of his regular schedule. Within the hours of the sitting of the House, he should look at his priorities and set aside that time. Whatever time he feels northern Ontario is worth in those hours, we will spend that amount of time.

If he needs to move some of his other items of work out of House hours and give northern Ontario a little bigger share, then we will be as flexible as possible to deal with it. I understood that, basically, was the suggestion put forward by the member for Algoma. If my understanding is generally correct, then we will support that compromise.

Mr. Wildman: Mr. Chairman, just to clarify, that is in fact my position, namely, that we request from the Premier a number of dates in which he will be available to deal with these estimates in this committee. He will then be the one who is determining when he is available and how long he has to deal with these estimates. Then we must have a commitment from him and his office that he will indeed be available for those days and times. That is the ultimate in flexibility on the part of the committee; we are leaving it the Premier to decide.

Mr. Chairman: What about the total number of hours?

Mr. Wildman: If there were a reduction in the hours as a result of the Premier's schedule and what he determined to be necessary, I would think we would have to go to the House leaders and have it ratified. Would the House not have to ratify a reduction in the hours?

Mr. Chairman: That is one way of doing it. The other way is that we deem the estimates to have been completed by the time of adjournment.

Mr. Wildman: We can look at either way.

Mr. Chairman: Let us be clear on this. We are going to put Mr. South's motion, so members should understand clearly whether they want to vote for or against it. If they vote against it, which would be implied in the compromise Mr. Stevenson and Mr. Wildman have talked about, it should be clear that what they get in return for voting against it would be an agreement that there be no evening sittings and that we would maximize the hours of sitting in the mornings and, basically, the afternoons of the times that are already scheduled for this committee.

Is that clear? Are we all agreed on that? We do not want anybody yelling doublecross after the vote is taken.

Mr. Wildman: Yes, that is right. To be open and clear, we are going to vote against the motion--

Mr. Chairman: For that reason.

Mr. Wildman: --because we want that second option to be used.

Mr. Chairman: All right. It is clearly understood, though, that makes the scheduling of the committee extremely awkward in fitting in things around the dates the Premier comes up with, but the steering committee will work that out.

Mr. Wildman: That is an indication the committee is ready to be flexible.

Mr. Chairman: All right. May I put the motion?

Ms. Caplan: Mr. Chairman--

Mr. Chairman: Will you not tease the bears?

Ms. Caplan: I may. It is my feeling that we really should support Mr. South's motion. Until not very long ago, House hours were until 10:30 p.m. We have only recently changed the rules to 6 p.m.

A committee and the Office of the Premier requesting evening meetings is not at all unusual or anything anyone should get his back up about. It is a fact of life around here that the clock does not stop at six o'clock. Mr. South's motion would allow for the full completion of the ministry estimates. The Premier's office has made these times available. I remind you again that until just a few months ago, this House was sitting until 10:30 and often beyond, when there were emergency debates. I can remember sitting here until 11 o'clock myself for late shows and that kind of thing.

I really think it is unreasonable to say to the Premier, "Unless you can find time before six o'clock, you are saying the north is not a priority for you." That is game-playing in the worst sense of the word.

We have had a list from the Premier's office of dates and times available. It includes some evenings. The motion before us would allow for the full time complement for the Ministry of Northern Development and Mines. Clearly, if it is flexibility and accountability we are looking for, support of this motion, which would see due process, seems to me to be reasonable. To suggest we cannot debate anything after six o'clock at night is nonsense.

I urge the committee to support Mr. South's motion, rather than sending the ball back to the people in the Premier's office and asking them to find times during the day before six o'clock, because no one is going to be awake here to listen to anything he has to say after six o'clock. That is absolute nonsense.

If we are interested as a committee in what is happening in the north and want to ask our questions of the Minister of Northern Development and Mines, surely we are willing to hear that debate up until 10 o'clock at night or 10:30, which was the common practice in this House until a few months ago. I would like to know why we have to stop the clock at six.

Mr. Wildman: Mr. Chairman, on a point of order: I would accept the comments that have just been made if the scheduling of these estimates had come as a surprise to the people in the Premier's office; in fact, they had a month to schedule it.

Mr. Chairman: That is not a point of order, but I understand your point of view.

The question has been called a couple of times. I think it is appropriate to put it. Does everyone understand the motion that, subject to the approval of the House, the committee will meet to consider the estimates of the Ministry of Northern Development and Mines in the evenings of Thursday, January 29; Monday, February 2; and Monday, February 9?

All those in favour of Mr. South's motion, please indicate.

All those opposed?

Motion negatived.

Mr. Wildman: Do we need a motion for the other?

Mr. Chairman: Since the motion is lost, may I assume that, in conjunction with the steering committee--I think this should be a task undertaken by the steering committee--there be a communication or some kind of liaison established with the Premier's office to work out the appropriate dates and that there also be a letter sent from the committee?

Ms. Caplan: I do not think the letter should include the statement that this committee, members of the opposition at least, does not feel it can stay awake after six o'clock in order to hear the Premier.

Mr. Chairman: I think that might not get into the record.

Mr. Wildman: I would be in favour of adding that to the letter, as long as they put in that we would probably be put to sleep by the Premier talking about peanuts.

Mr. Chairman: Is there any further comment on that? Can we adjourn now and have the steering committee meet to schedule the time of the committee? Tomorrow, as you know, the Premier is still in Washington, I believe.

Mr. Offer: Are you suggesting the steering committee meet now?

Mr. Chairman: That is what I said. Do you not think it should meet now?

Mr. Offer: No. I said it should meet now.

Mr. Chairman: That is what I am saying too.

Mr. Offer: I thought you said tomorrow.

Mr. Chairman: No, right now. Is that okay, Mr. Stevenson? Mr. Stevenson, Mr. Offer, and I hope Mr. Wildman will stay for it.

Mr. Wildman: If you can give me a couple of moments because a gentleman has been waiting a long time to speak to me.

Mr. Chairman: All right. In five minutes, the steering committee will commence right here.

The committee adjourned at 4:34 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ONTARIO LOTTERY CORPORATION AMENDMENT ACT

MONDAY, FEBRUARY 2, 1987



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Reville, D. (Riverdale NDP)

Bernier, L. (Kenora PC)

Caplan, E. (Oriole L)

Gordon, J. K. (Sudbury PC)

McGuigan, J. F. (Kent-Elgin L)

Morin-Strom, K. (Sault Ste. Marie NDP)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Substitution:

Ramsay, D. (Timiskaming L) for Ms. Caplan

Clerk: Decker, T.

Witness:

From the Ontario Lottery Corp.:

Morris, D. N., President

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday, February 2, 1987

The committee met at 3:30 p.m. in room 151.

ONTARIO LOTTERY CORPORATION AMENDMENT ACT

Consideration of Bill 115, An Act to amend the Ontario Lottery Corporation Act.

Mr. Chairman: The committee will come to order. Before we start to deal with Bill 115, the clerk is distributing a draft schedule for the committee between the time we adjourn for this session and the time we come back for the next session. It is a draft schedule and should not be interpreted as final. However, we would like to make up our minds this week. I have already spoken to Mr. Offer who is on the steering committee for the government and to Mr. Stevenson for the Progressive Conservative caucus. It is a draft. It would be very nice if we could finalize this by Wednesday so that it can go to the House leader so that our schedule is in and we know what it is and are comfortable with it. You will notice that if we adjourn on February 12, we still would not sit the following week. We would not sit the last week before the Legislature comes back either.

As committee members know, the Legislature referred Bill 115 to us to allow some public input into our deliberations. I suggest that we deal with presentations and exchanges between members of the committee and whoever is making the presentations today, Thursday and next Wednesday, and then reserve the last day, February 12, for any possible amendments committee members might want to put. It is not a long and complicated bill so it would be very nice if we could do that in one day, if indeed there are any amendments. I do not know what the intentions of members are.

Today we have with us Mr. Morris of the Ontario Lottery Corp. Welcome to the committee. I would appreciate it if you would introduce the people who are with you. Do you have an opening statement or some comments to make?

Mr. Morris: I do. Before getting into that, I would like to introduce them. On my right is Mrs. Kathy Petrick, who is vice-president, corporate communications, of the Ontario Lottery Corp.; Brad Gleason, solicitor for the Ministry of Citizenship and the Ministry of Tourism and Recreation; and Ms. Jane Garthson of the Ministry of Tourism and Recreation.

The government of Ontario is being used as an unwilling participant in illegal and unethical activities. Sales of Ontario's lottery tickets are being solicited by unauthorized individuals using registered trademarks and trade names, official logos, and in some cases, official documents and advertisements. The customers of these mail order operations are being led to believe they are dealing with the lottery corporation itself, or at the very least, with an authorized dealer.

Bill 115 seeks to protect the integrity of the lottery industry in Ontario and to ensure that all aspects of its operations are subject to government control, and hence public scrutiny. There are two aspects to this

situation, and each on its own is serious enough to warrant the proposed legislation.

The first deals with the legality of lottery ticket mail order. The Ontario Lottery Corp. has been advised by the United States postal and customs services that the mailing of lottery tickets into the United States violates that country's laws. As a crown agency of the government of Ontario, it is my view that the OLC should not normally support an activity that breaks the laws of another country. Bill 115 will ensure that the Ontario Lottery Corp. is not an unwilling conspirator in breaking the laws of the United States and possibly of Canada.

The other aspect I referred to earlier concerns ethics and business practices and is equally important. The OLC subscribes to the code of ethics of North American and worldwide government lottery associations that prohibits each jurisdiction from selling lottery tickets outside its borders. It is clearly unethical for such lottery products to be sold in this manner. Our colleagues in other government jurisdictions do not want our lottery tickets available within their territories and have filed complaints to this effect with the International Association of State Lotteries.

As a result, our business reputation and indeed our integrity are suffering, for let us remember whose name is printed on the back of each ticket. To demonstrate, allow me to read portions of letters received by the ministry or the corporation as a result of experiences with various mail order operations.

The member for Carleton (Mr. Mitchell), a Conservative member of the Legislature, wrote on November 5, 1986, in support of one of his constituents opposed to mail order operations, "I believe his concerns are valid and I would appreciate knowing whether or not your ministry has any intention of closing the door on this practice."

Leatrice Riggs of Mary Esther, Florida, wrote: "I live in the northwest Florida area. We have a lot of Canadians come here for the winter. We call them 'snowbirds.' The area appreciates their being here and wishes them well. I talked to a few of the people when I received the first literature in January. They told me the Canadian lottery was honest. At that time, I presumed I was doing business with the Canadian lottery."

Larry Sackman of Aloha, Oregon, said: "I would appreciate it very much if you would look into the matter and stop these people from stealing from others as unwary as I was. They are using Canada's good name and symbol for fraudulent purposes."

John Howie from Bainbridge Island, Washington, said, "If this is a storefront, mail fraud scam, then I would hope you would do what you can to shut them down."

C. Bower from Buchanan, Vermont, wrote, "We did not believe this to be the character of the government of Canada."

J. L. Knipe of Denver, Colorado, said that the mail order operators "do not do your lottery any good and as such should be prevented from selling any kind of lottery tickets."

Jack Horowitz from Brooklyn, New York, reported: "I just had two bad experiences with your lottery ticket sellers. One...whose cheque for \$5

bounced...the other...whose cheque for \$8.50 bounced. I wonder if you keep a check on those who sell your tickets. As you can see, it is very embarrassing to you as it is to me."

Joseph Bullock of Wyckoff, New Jersey, said: "I trust [you] will act promptly...not only for my benefit but to protect the public's perception of integrity of the lottery system."

Brian Erickson of Richmond, California, thought he "was dealing with the Ontario Lottery Corp."

Melville Jack of Ormond Beach, Florida, wrote, "My friends expressed extreme indignation at being taken as suckers...they say if this action is condoned they will holiday elsewhere than Canada, and presently are looking at Portugal."

In each case, the Ontario Lottery Corp. was implicated because of the business activities of the mail order operators. Ontario's lottery industry must protect its product, its integrity and reputation. It cannot do so if it cannot control the sale of its products.

Bill 115 ensures the sale of lottery products is controlled by government through the Ontario Lottery Corp. and therefore the people of this province.

These, then, were the issues the Ontario Lottery Corp. was facing in 1984. They led to the development and implementation of the OLC board policy to curb the unauthorized sale by mail order companies of its lottery tickets outside Ontario. I would like to take you through our actions since 1984 in combating this serious problem.

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In 1984, as a result of increasing complaints and inquiries, the corporation discovered a number of organizations in Ontario were reselling Ontario Lottery Corp. lottery tickets to United States residents by direct mail, solicitation and media advertising. Because the corporation's game logos and other registered trademarks were used openly in mail order literature, it actively gave the impression that such sales to nonresidents were being conducted either by the OLC or under the apparent authority of the OLC.

During 1984, we received literally thousands of inquiries from US residents, over 2,000 of which were complaints or inquiries about specific mail order activities. The complaints fell into three categories: (1) US residents had forwarded money to Ontario mail order operators and had not received tickets in return; (2) US residents had winning tickets without being able to collect the appropriate prizes from mail order operators; (3) US purchasers were unable to obtain information about the lotteries and the winning numbers. By this time, the OLC had identified more than 20 different mail order operators in Ontario. The business was obviously growing.

Why was the mail order business so attractive? The answer is simple. Mail order operators were reselling tickets at prices significantly higher than their face value. Taking the US exchange rate into consideration, the general markup on the resale of OLC tickets ranged between 69 per cent and 190 per cent. The greatest volume of sales is of Lotto 6/49 tickets, which are marked up by about 150 per cent of face value.

The corporation was contacted at this time by the United States Postal Service and US customs and advised that the mailing of lottery tickets and promotional material, as well as the importation of lottery materials, contravened US laws. We were asked to co-operate in combating Ontario mail order operations and the corporation agreed to do so. Indeed, the United States Postal Service has successfully taken legal action against a number of Ontario mail order operators. Both the United States Postal Service and US customs authorities have seized and continue to seize large quantities of Canadian lottery materials destined for the US.

It became very apparent that the OLC had little power to stop a practice that was harming its integrity and breaking the laws of another jurisdiction. Indeed, the OLC was an unwilling accomplice in the whole activity.

The OLC board of directors took the only action available to it. It adopted a policy that prevents its distributors, retailers or agents from in any way becoming involved or assisting in the sale, supply or distribution of lottery tickets to individuals or corporations for resale outside Ontario. The penalty for noncompliance was revocation of contracts or authorizations to sell lottery tickets.

It was hoped this action would dry up the source of lottery tickets for mail order operators in Ontario. The policy was announced publicly and all agents, retailers and distributors advised. In implementing the policy, those agents and retailers believed, on reasonable grounds, to be providing tickets to mail order operators were advised to stop these activities and provide the Ontario Lottery Corp. with a written undertaking to this effect.

They were given ample time to comply. Only two agents did not ultimately provide the undertaking requested. One was directly connected to a large mail order company, while the other admitted to supplying tickets to the same company. Consequently, the terminals used by these agents were disconnected. Both agents challenged the OLC's authority to implement its policy.

Through three separate proceedings in the Supreme Court of Ontario, their challenge was rejected, and the following findings were made by the court: (1) The OLC did not act beyond its mandate in directing that none of its agents, distributors and retailers supply or sell tickets to identified mail order operators, and that in issuing such instructions, OLC acted properly and pursuant to the Ontario Lottery Corporation Act and regulations; (2) On the merits, the activities of these two agents were clearly and understandably offensive to OLC and in defiance of OLC's policy.

The validity and propriety of the actions taken by OLC in passing a policy and attempting to enforce it have therefore been confirmed in the Supreme Court of Ontario. However, this has failed to curb the activities of the mail order operators. The problem presented by mail order activities is serious and requires immediate and firm action. Bill 115 confirms OLC's right to curb unauthorized sale of its products by mail order, a right that has been confirmed by three judges of the Supreme Court of Ontario. Your approval of Bill 115 will give the Ontario Lottery Corp. the ability to maintain the public's confidence in the integrity of its lottery games.

Mr. Chairman: Thank you, Mr. Morris. Is anyone else from your group making a presentation or can we get into an exchange with members?

Mr. Morris: That is the only presentation.

Mr. Chairman: May I ask you one question, Mr. Morris? In one of the letters you quoted, there was a reference to "fraudulent purpose." That phrase stuck in my mind. What is the "fraudulent purpose" involved in the selling of tickets across the border?

Mr. Morris: That was not my phrase. It was a phrase from a customer in the United States who did not receive what he thought he should have received when he paid his money. I guess he felt that if he had paid his money and not received his tickets, that was fraudulent.

Mr. Chairman: Okay.

Mr. Morris: I would like to remark on one thing. We did not realize we would be proceeding today with my opening remarks, so we did not include them in the briefing books we distributed today. They were ready to hand out the next time around. I want to apologize to the members for not having them in the books.

Mr. Chairman: We were scrambling to try and find what you were saying in the books.

Mr. Reville: A letter dropped out of my briefing book. I do not know who it belongs to. If anyone lost some internal correspondence, I will leave it here to be claimed.

Mr. Chairman: It is not confidential, is it?

Mr. Reville: It is not to me, so I cannot read it.

I have a couple of questions. You included a bunch of letters from, I suppose, customers of folks who sell lottery tickets across borders. Does the Ontario Lottery Corp. get similar letters from people in Ontario who buy tickets and are disappointed when they do not win?

Mr. Morris: Yes, we do.

Mr. Reville: Do you get a lot of them?

Mr. Morris: In keeping with the volume of business we do, I think the list of complaint letters we get is relatively small.

Mr. Reville: Can you give us some idea what the complaints you get from Ontario buyers are about?

Mr. Morris: Quite often, the complaint will be that they do not like the design of the game because they did not win. Sometimes the complaints are about the way they were treated by a retailer who sells lottery tickets. Sometimes the letters of complaint are directed to the lottery corporation about where the money is being used; of course, that is not a matter the lottery corporation can deal with.

Mr. Reville: Can you give us an idea of the volume of complaints from Ontario buyers?

Mr. Morris: I cannot give you an estimate of the actual complaints, but we answer about 50,000 letters a year. Most of those are just for ordinary information.

Mr. Reville: The origin of those letters is Ontario.

Mr. Morris: Yes.

Mr. Reville: One thing confused me. Maybe I just do not understand. Two points you were making were that mail order lotteries (a) violated United States laws and (b) violated ethics and business practices. On the second point, can you explain the ethics of sales outside a lottery's catchment area? I cannot quite grasp why it would be unethical to sell outside your catchment area.

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Mr. Morris: In most jurisdictions the lotteries are an agent of government, as they are in Ontario. Needless to say, governments look on lottery proceeds as government revenues, so one government does not appreciate another government from another jurisdiction poaching in its territory. For instance, California does not appreciate the sale of lottery tickets from other jurisdictions in California, because it sells lottery tickets in California and does not want to lose that revenue. There are a number of states in the United States where lotteries are illegal; the state does not license or allow them. Similarly, they do not want other states or extraterritorial jurisdictions selling into their states.

Mr. Reville: I can certainly see why it would be illegal. "Illegal" does not necessarily mean "wrong" or "unethical"; it means "prohibited," sometimes. There are two kinds of wrongdoing: One is illegal and the other is immoral. For instance, my view is that all lotteries are unethical, whether carefully organized by the government of Ontario, the government of Canada or anybody else, so I have some difficulty understanding why it is unethical for somebody to sell a ticket in Saskatchewan if the ticket originates in Ontario or Afghanistan. Why is that unethical?

Mr. Morris: One of the things we subscribe to is a code of ethics of both the International Association of State Lotteries, which is made up of about 75 countries around the world that operate lotteries, and the North American Association of State and Provincial Lotteries. The code of ethics says we do not sell into each other's territories.

Mr. Reville: It is a code that the agencies involved have drawn up and agreed to abide by?

Mr. Morris: Yes.

Mr. Reville: "We will sell in our territory, you will sell in your territory; let us not get mixed up with each other"?

Mr. Morris: Right.

Mr. Chairman: It is sort of like free trade.

Mr. Reville: Thank you. That certainly cleared that up.

Mr. Offer: You indicated earlier that, at one time, there were 20 companies or thereabouts carrying on this mail order subscription in Ontario. I think you indicated it was in 1984. Can you give me some idea of the number of companies now operating in Ontario?

Mr. Morris: We have reason to believe there are fewer now. We know that some of them have moved outside the province. There are still a substantial number of companies operating.

Mr. Offer: In the information you handed out, there is the code of conduct for AILE members. Is that the code of ethics? I do not know what AILE means?

Mr. Morris: AILE is the French version for the International Association of State Lotteries. My French is not that great, but it is Association internationale des loteries d'Etat.

Mr. Offer: I wanted to know if that is what we were trying to comment on.

Mr. Reville restated the two reasons necessary for the act: (1) the contravening of United States postal laws; and (2) on the basis of control and things of this nature. Can you expand on the contravention of the US postal laws?

Mr. Morris: The US postal laws say it is--I am paraphrasing here, of course--illegal to send lottery tickets, or even what it describes as lottery paraphernalia, through the mails. It is illegal to import lottery tickets into the United States under the US customs laws. We have been advised by our own solicitors that such is the case; we have had them look at the situation.

At a previous time, we had been advised by Canada Post making us aware of the fact that Canada and the United States are subscribers to the world postal convention. You are not supposed to mail material into a country that has been ruled unmailable or illegal. We are in this situation where our products are being sent into the United States in large quantities, and it is against the US laws. I have been informed of that by both the official US body and our own solicitors.

Mr. Offer: Just as an aside, is there a reciprocal option from the US into Canada or into Ontario, as far as you know?

Mr. Morris: I have to be honest. I do not know what the Canadian law is, because it is not a big factor in it, but Canada does subscribe to the postal convention. In Canadian law there are unmailable items, and the US would respect that.

Mr. Offer: We would expect that if US mail order subscriptions were coming into Ontario, the same type of legislation would--

Mr. Morris: It is illegal to sell a lottery ticket in Ontario that is not licensed by the province, so anybody sending tickets into the province from outside Ontario is automatically breaking the provincial laws.

Mr. Bernier: I note in your opening comments that you referred to 10 or 12 letters of complaints, and you added that you answer about 50,000 letters per year.

Mr. Morris: That 50,000 is the total mail.

Mr. Bernier: Do you have any idea of the total number of complaints that come against this practice?

Mr. Morris: Yes, I do. We did an actual count over three years, piece by piece. In 1984 we had 7,815 written inquiries from US residents.

Mr. Bernier: Inquiries? That is not a complaint.

Mr. Morris: Of that number, the complaints and specific inquiries about mail order operations totalled 2,205. Of that number, 236 were clear-cut complaints in 1984. We also had another 100 telephone complaints.

In 1985 we had 212 written complaints, although the actual number of inquiries about the US mail order was 2,515, and we had 34 telephone complaints.

In 1986 we had 195 written complaints and 173 telephone complaints. Those are complaints from US residents.

I would like to point out, Mr. Bernier, that the complaints do not always come directly to the Ontario Lottery Corp. They come to us from the federal Department of Justice, from the Office of the Governor General, from the Office of the Lieutenant Governor of Ontario and from the Office of the Premier. We have had them from offices of members of the House in Ontario. They have even come from the chamber of commerce. People have written to these various organizations, and they have in turn referred the letters on to us.

Mr. Bernier: Has the complaint been followed up by the OLC if there is a problem?

Mr. Morris: We do. We write back to the people to explain to them the problem. We explain to them that it is illegal for them to buy lottery tickets through the mail but that we have no control over the people who are selling the tickets.

Mr. Bernier: If I, as an American resident, were living in Buffalo or New York City, could I write the OLC and send my money to you directly? Would you send me a ticket if I were a US resident?

Mr. Morris: We do not operate a mail order subscription service to sell tickets outside the province. In fact, we do not even operate a mail order subscription service within the province, because we have such widespread distribution that we do not need it.

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Mr. Bernier: But I could write a letter to a distributor or a seller as an individual.

Mr. Morris: If you wrote to one of our agents or distributors and we found out that he had supplied it, he would lose his distribution licence or he would have his retailer's licence or contract cancelled.

Mr. Bernier: As one who has lived in northern Ontario all his life and has seen the lottery business expand, and as one who was around when there was not a lottery in Ontario, I would have to admit to this committee that I was a purchaser of the Irish Sweepstakes tickets. I never won, mind you, but here was a lottery outside of this country that was sold extensively in northern Ontario by dealers. I think I can say without any contradiction that they were sought after. I wonder why, if it was legal then, this is illegal. I am just trying to get my mind around that.

Mr. Morris: Mr. Bernier, at the risk of making you sound like a potential criminal--

Mr. Bernier: That is in the past.

Mr. Morris: --the buying of the Irish Sweepstakes tickets was not legal in the days when you made those purchases. It was widespread throughout the world, and the reason it was so widespread was that in those days--now we are stepping back a few years; you and I understand these things--there were relatively few legal government-operated lotteries in the world. It went on; it was an illegal business. Everybody knew it, but nothing much seemed to be done about it.

However, today, like a lot of the political jurisdictions around the world, every province in Canada now has its own lottery. The sale of Irish Sweepstakes tickets has become nonexistent. I am sure that if they did start popping up, steps would be taken today that were not taken back in the days when you and I remember buying those tickets.

Mr. Bernier: You did not buy one.

Mr. Morris: Yes, about \$175 dollars.

Mr. Bernier: I see. Just one final question as a matter of interest. You are part of the crown corporation in the province. I am wondering why you did not use the Ministry of the Attorney General for a legal opinion and why you had to go out to Cassels, Brock and Blackwell.

Mr. Morris: The reason for that is that Cassels, Brock and Blackwell are our corporate solicitors and are probably the most knowledgeable group of lawyers in the country on the lottery business. It is for that reason that we used them. They were familiar with all the problems we had. They handle any litigation that has come against us, such as when the people we disconnected tried to get their terminals reconnected. Cassels, Brock handled all that litigation. They just know the business.

Mr. Bernier: I thought the Attorney General's office would carry more weight in your case, because for every lawyer there is a different opinion. I just pass that on to you.

Mr. Stevenson: I would like you to bring me up to date on how lottery sales are handled within Canada, what types of lottery tickets are sold in Ontario, how legal it is to have various ones sold in other provinces and so on.

Mr. Morris: In Ontario we operate six games. Three of those games--Wintario, the Instant game and Lottario--are sold only in Ontario. The Ontario Lottery Corp. also acts as the regional marketing group for the Interprovincial Lottery Corp. The Interprovincial Lottery Corp. is a company that is owned by all 10 provinces. It designs and operates three games on a nationwide basis. Those games are 6/49, the Provincial and Super Loto. The profits from the tickets for the three ILC games that the Ontario Lottery Corp. sells in the province flow through to the government of Ontario.

We do not sell tickets outside our jurisdiction. We are very vigilant to make sure our tickets are not sold outside our borders--say, into Quebec or Manitoba. Similarly, Quebec and Manitoba are vigilant in not to have people sell their tickets into our province. Two of the provinces, British Columbia

and Quebec, operate subscription services by mail, but only to residents in BC or Quebec. They do not operate their mail order business outside of the province.

Mr. Stevenson: To what extent are Wintario tickets, for example, being sold outside Ontario but within Canada?

Mr. Morris: We do not think they are, to any degree; we have not detected that. Let me put it this way: I have not had any complaints from my colleagues for quite some time. Some years back, we did have a bit of trouble along the two borders, but we got that straightened out and we have not had a complaint from either Quebec or Manitoba for a number of years. We have been very vigorous in policing that.

Mr. Stevenson: Is there any legislation in place regarding that sort of sale, or is it mostly an agreement between the provinces?

Mr. Morris: I always get a little nervous quoting the Criminal Code, because I am not a lawyer, but it has been explained to me that the Criminal Code prohibits lotteries and then gives an exception. The exception is those lotteries that are licensed and operated by a provincial government. Wintario tickets are not licensed to be sold in Manitoba or BC, so anyone who sells them in those jurisdictions is breaking the law. He is breaking the Criminal Code.

Mr. Stevenson: To what extent is there a problem within the United States, on a state-by-state basis, in selling--

Mr. Morris: I am the director of the North American Association of State and Provincial Lotteries. The members of that association are my counterparts in the other four jurisdictions from Canada, plus about 22 states, and it is growing very rapidly these days.

This is a subject that is very sensitive at the NAASPL. The association as a whole has the code that you do not sell tickets into other people's jurisdictions.

We do get some problems in the US, because it has a mobile type of population. Where they get a problem is that, say, someone living in New York has bought a subscription for a year to one of their lottery games and then moves to another state. Of course, they keep sending it. It is a tough problem and it is one the association has dealt with.

The US post office has notified all the state lotteries that they are not to sell or ship their tickets by mail outside their own state. About the only state I know of that is actively trying to get around that law is New Hampshire, but New Hampshire would not sell as many tickets in a year as we probably sell in half a day in Ontario. It is not a big factor.

Mr. Stevenson: In the scheme of things, as far as across-border sales are concerned, are the numbers of violations, if we wish to call them that, that occur across the Canadian-American border a greater problem, in the eyes of your North American organization looking at these things? Are the numbers here a greater problem than across the state borders in the United States?

Mr. Morris: They are tremendously greater. US customs and the US post office are constantly intercepting mail. I have seen television film

clips from Atlanta--Atlanta is a main point of entry for mail going into the US--showing thousands of pieces of mail intercepted by the US postal and customs authorities.

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One of the differences and one of the reasons this transborder traffic takes place is the nature of Canadian lotteries versus American lotteries. In the US, lottery winnings are taxable. Because they are taxable, most of the large prizes are paid to winners over long periods of time. If you read of someone winning \$20 million in a US lottery, that means he is going to get 20 annual payments of \$1 million. They spread it over that long period to cushion the impact of the tax.

Most of the advertisements I have seen advertising Canadian lotteries in the US talk about them being "lump sum" and "tax-free." The truth of the matter is they are not tax-free as far as the US tax authorities are concerned. That it looks like a great deal to the average American--that he can get his money up in Canada, not pay tax on it and get it in a lump sum--is never going to change. It looks fantastic.

Mr. Stevenson: To what extent have the states within the US passed legislation to try to curb the problem? How many other jurisdictions have acts in place along the lines of Bill 115?

Mr. Morris: I do not know of any. It has not been that great a problem down there. According to the information we have received from the US post office and US customs, the main problem is this cross-border problem.

Mr. Stevenson: Breaking the law by cross-border trafficking is the same sort of thing as the Irish Sweepstakes sales some years ago.

Mr. Morris: There is one thing to remember too. Within the US, if someone carries on an illegal business, the US post office, customs or any federal law enforcement people can get at the individuals and do something about it; they can lay charges. Apart from getting the people in and having their mail stopped, issuing cease-and-desist orders and cutting off the mail for these companies, which the US post office has done, there is nothing much it can do to get at the root cause of the problem, because that is outside its territory.

Mr. Stevenson: In leafing through the information you have provided here, there seem to be a number of issues. One is the fact that they are--I hesitate to use the word "illegally"--being sold in the US. The second is the problem of the US post office. I suppose a third is the question of the price they are being sold at. However, I guess if people are willing to pay that price, that is more or less their business if they decide to do it. A fourth item, possibly as serious as any of them, is whether when the people do come up with the money, they are getting what they thought they were paying for. To what extent do you have evidence that dealers are shortchanging the buyers in the US?

Mr. Morris: We have never said the mail order ticket people have not sent their tickets or have deliberately gone out to defraud people in the US. We have no evidence of this.

What we do have evidence of is the fact that many of the letters they are sending to the US are being intercepted. They know their letters are being

intercepted because the United States Postal Service has served them with notices and everything else saying they have intercepted mail.

They can apply and go through the hearing procedures, but to the best of my knowledge none of them has ever taken advantage of going down and appealing what is happening in the US. Therefore, I have to wonder if they know the stuff is going to be intercepted or there is a good chance of it not getting there. Is that fair?

Mr. McGuigan: Could you explain further the word "intercepted"? I am assuming this means confiscation. Does it?

Mr. Morris: Yes, it does.

Mr. McGuigan: What do you do to control the ticket-theft source? Before you answer that, whose sale is this? Is it wholesale or retail? At what point do these people get the quantities of tickets?

Mr. Morris: Two years ago, in November 1984, when it became apparent that there was a serious problem, our solicitors outlined a legal position to the board of directors of the Ontario Lottery Corp. They put in place a formal policy. With that policy, we informed and advised all our distributors, who are the wholesalers; our retailers, the people who sell the paper tickets, and our terminal agents, the ones who have the computer terminals. We made it clear that if they failed to abide by the policy, it would mean they would have their distributorships revoked, their terminal removed, their licence cancelled or we would stop selling them the paper tickets.

We also used all the information we had available to us to inform individual retailers and wholesalers whom we had pretty good reason to believe were involved in the offshore ticket selling business. As I mentioned a few minutes ago, we disconnected two of the terminals at that time.

It is an ongoing battle. We take it very seriously. I do not know if any of you saw the press release or read in the paper that a week ago the board of directors cancelled the distributorship contract of a man in downtown Toronto who was caught selling tickets to an offshore ticket seller located in Vancouver.

The board and the Ontario Lottery Corp. have been as diligent as we can in trying to stop the sales. When we first put the policy in, there were a number of attempts made to circumvent the policy by going into ordinary retail outlets and buying large quantities of tickets. This showed up on our computer programs and we were able to intercept and stop that. We were accused of being very high-handed and everything else, but we felt it was necessary to impose the board's policy.

At the OLC, we are primarily a sales agency. We are a business operation; we are not a police force. That is what makes it very difficult.

Mr. McGuigan: Are you saying your policy of trying to restrict the sales really does not work?

Mr. Morris: No. We do not have investigative forces. Bill 115 would inscribe into law the prohibition. It would then become a matter for the Attorney General (Mr. Scott) and the police forces of Ontario to enforce. That is where it should be, and not in the hands of the OLC.

Mr. McGuigan: I wonder if we could not do this without passing such a law. Have you tried any method of marking or identifying tickets so that if one of these tickets showed up through the intervention of the US authorities, you would know where that ticket came from?

1620

Mr. Morris: It is impossible to identify a ticket as coming from a particular retailer. The other side of the lottery business is that all the tickets have to be exactly the same so that there can be nothing identifying them. A lot of time and effort is spent on security systems to make tickets unidentifiable.

Mr. McGuigan: You cannot point to so-and-so.

Mr. Morris: The only thing you could do is to ask every retailer to stamp every ticket with his name and address, and they are not going to do that if they are involved in illegal operations.

Mr. McGuigan: How would a seller defend himself if you accused him of selling these tickets and he said, "This man walked in and bought several thousand tickets"? If you said that was an illegal sale, how would he defend himself?

Mr. Morris: We get the largest volume of tickets in connection with the on-line games such as Lotto 6/49. That is the most popular game in Ontario and all of Canada. It is also the most popular in the international area because of the large prizes.

We can tell from our readouts from our computer terminals if there is any unusual activity on any terminal. If we see it, we do not go in and accuse; we go in and ask what caused these sales to escalate suddenly and try to identify who the buyer might be. But since this got under way, they no longer buy in large quantities in any one location. They seem to be very widespread, so it does not show up.

Mr. McGuigan: Your own efforts have been fairly extensive and they have failed.

Mr. Morris: Two years ago when the board put in the policy, the philosophy was that we were a marketing organization, so we tried to defend the way a marketing organization normally would; that is, to try to deny a product to those whom we do not want to have it. It is very difficult.

Mr. Pierce: Do you in the OLC have any idea of how big the industry is that operates outside the boundaries of the OLC?

Mr. Morris: I have read numbers anywhere from US\$30 million to US\$60 million a year.

Mr. Pierce: Is that on the inflated ticket price?

Mr. Morris: That is probably where the difference in the numbers comes from, depending on what price they are talking about.

Mr. Pierce: What are the sales of the OLC?

Mr. Morris: They are \$1.2 billion.

We have the sales figures on those terminals that were being used to supply one mail-order operator, and from those I could believe it is about \$30 million a year in Canadian dollars.

Mr. Pierce: So one third of your sales are conducted by the industry outside the industry.

Mr. Morris: It is not a third; \$30 million against \$1.2 billion.

Mr. Pierce: I am sorry.

Mr. Morris: Twenty-five per cent would be \$400 million a year, so it is a relatively small percentage of our business.

Mr. Pierce: In respect to the figures you gave Mr. Bernier, you claimed 195 written complaints. Are those US complaints?

Mr. Morris: Yes.

Mr. Pierce: Are they based on a population of over 200 million in the US?

Mr. Morris: Yes.

Mr. Pierce: How would that compare with Canadian complaints, based on a population of 23 million?

Mr. Morris: I do not know about the other jurisdictions across the country. All we get is our own Ontario mail. Our complaints are varied. If somebody does not like a television commercial that we do, we get a complaint. I do not classify that in the same way.

Mr. Pierce: I look at 195 complaints. As Mr. Bernier said, we deal with more than 195 Workers' Compensation Board complaints in a year. I am just wondering what this legislation is all about.

Mr. Morris: I would suggest, though, that if the Ministry of Consumer and Commercial Relations were to get 195 complaints on what some people would deem to be a fraudulent action, that would be enough to trigger action. At the Ontario Lottery Corp., if I get 20 complaints, say on a television commercial or an aspect of a game, I start looking at it pretty hard. That is the sensitivity within the corporation. We are always getting complaints from people who do not win, and there is nothing we can do about that.

Mr. Pierce: I have not had a chance to send in my letter yet. Now that I know you accept those kinds of complaints, I will be sending in my letter very shortly.

Mr. Morris: We do not have a good answer for those complaints, though.

Mr. Pierce: The legislation is proposed here, with amendments. Can you tell me what other provinces in Canada have this type of legislation? If we were to legislate this industry out of Ontario, do we legislate them into Manitoba or into Prince Edward Island? Do we just relocate them someplace in Canada?

Mr. Morris: At the Interprovincial Lottery Corp., where we all meet, there are representatives on the board of directors of the ILC from every province in Canada. The indication is that they are all waiting for us to put the legislation in place and then they intend to follow it. They do not want to reinvent the wheel.

I know there have been actions taken. My colleague the president of Loto Québec has told me that, all of a sudden, in their mail-subscription service coming out of Hull, they got a strange influx of English names. He said they do not normally get English names in their mail from Hull. They immediately investigated and cut off--as it turned out to be--mail-order operators out of Toronto trying to get tickets.

As recently as today, we had a query from one of the other governments in Canada as to the status of our legislation. They are anxious to be kept abreast. It is a national problem. I can tell you that in Manitoba, the lotteries commission cut off the licence of a fellow it found out was involved. He is suing them and they are defending the suit.

Mr. Pierce: It is interesting that you make those comments. Mind you, I am a new member on the block here, but to date I have had no correspondence from any other provinces in respect to where the legislation is going or what has happened to it. I would think it would be in the best interests of the other provinces and their legislators to petition the members of this Legislature to move along hastily with this kind of bill. Perhaps other members have received that type of correspondence. It certainly has not come to my office.

Mr. Morris: We have certainly had calls. On the board of the ILC are deputy ministers; most of them are deputy ministers from the various provincial governments. They have called us and we have kept them posted at various stages of the bill. They have called us quite regularly. When we meet every other month, we provide them with an update. It may be that their governments, as governments, are receiving the information they need through the deputy ministers who are on the board.

Mr. Pierce: On another subject, and that is the subject of winners, can you tell whether there is a large amount of money going out of the Ontario Lottery Corp. to winners in the US?

Mr. Morris: We do not send cheques any more to winners in the US. Once we were made aware that the US postal authorities considered even cheques in payment of lottery prizes to be not allowable, we ceased. We now send a letter back saying, "We will hold your ticket." We explain the problems to them and say, "We will hold your ticket until you come to Ontario and we will pay you."

1630

We are negotiating. Our lawyers are talking to the lawyers of the United States post office to see if there is not some way around this. We get a lot of people coming into Ontario on holidays who buy tickets. Of course, they write to us and want to know how they get their prizes. It is a problem for us. We used to send the stuff out. Then, once we were made aware they viewed even the sending of a cheque to be not allowable, we stopped. We do not want to break anybody's laws.

Mr. Pierce: With respect to the advertising campaign launched in the

US by the other side of the industry, you indicated it was very misleading in terms of tax-free winnings. Is the obligation on the Ontario Lottery Corp. to notify the Internal Revenue Service that somebody in the US has won or is the obligation on the individual who has won?

Mr. Morris: It is the obligation of the individual to file an honest tax return.

Mr. Pierce: I do not have any other questions.

Mr. Stevenson: I have a couple more questions I neglected to ask earlier. By quick calculation, I think \$30 million works out to 2.5 per cent of your total sales; it would be five per cent if they were handling \$60 million. You estimate there is something less than 20 operators in the province now selling tickets into the US. How many do you estimate are working out of other provinces in Canada, doing the same sort of thing?

Mr. Morris: We are not aware of any large volume of operators in Quebec. There does not seem to be any problem in the Maritimes. The other area where there are a number, and we have had recent experience with our own distributor selling out there, is in British Columbia. There is trade up and down the coast there, although now that California, Oregon and Washington all have their own lotteries, they are probably going to eat into that business.

Mr. Stevenson: Of the winners in the past who resided in the United States, was there any way of sorting out whether they had in fact been visitors to Canada or subscribers to various ticket sales?

Mr. Morris: This is a difficult problem. I think back. We had a \$5-million winner. A lady from Florida appeared at the lottery corporation and told us she had bought the ticket at the airport when she was here on vacation. We had no reason to prove otherwise. Subsequently, we read in the newspaper a quote from somebody that she was enjoying her first trip to Toronto to pick up her cheque.

This whole thing of prizes is a difficult one for us. It underlines part of the problem where this thing comes in. A few minutes ago, I mentioned we had a distributor selling into Vancouver. That is corrupting the system. That fellow's licence was to sell only in downtown Toronto. I do not know how much he received extra to sell them out to Vancouver; obviously something, to go to all that trouble.

It is the same with prizes. The regulations of the Ontario Lottery Corp., the regulations under the act passed by the government of Ontario, say that the Ontario Lottery Corp. will pay prizes to owners of the ticket. The staff of the lottery corporation is diligent in trying to enforce that regulation put on by the government.

You can understand how we feel when we have people come in and try to prove to us that they own a ticket and then subsequently read in the newspapers that they were acting on behalf of customers in the United States in collecting their prizes.

I saw one about a week ago. "These are the services we provide you. We will collect your prizes." That is not supposed to be in Ontario. Only the owner can collect the prize. The reason is that the government of Ontario, in its wisdom, put into place that it wants only the owners being paid so that

people who are not owners do not abscond with the money. You get all these things where the whole system is being undermined, whether it is the distribution system or the prize-paying situation.

Very few people take lotteries seriously. When you meet someone and they ask, "What do you do?" and I say, "I am president of the Ontario Lottery Corp.," they look on me as though I sell raffle tickets for the local service club. They do not realize that it is a \$1.2-billion business generating about \$430 million a year for the people of Ontario.

There is no legislation in place that says people have to buy lottery tickets. They buy them because they have confidence that what is being done is being done properly, that everyone has an equal chance to win, that the whole operation is open to view and is aboveboard. We have the Provincial Auditor looking at us and everything else. In fact, on occasion, I think I have appeared before committees that some of you gentlemen are on, answering for the actions of the OLC. It is open to scrutiny.

But if that operation is called into question, people can very quickly stop buying tickets, if they feel uncomfortable, if they do not have an even chance or they do not feel that the whole thing is being properly administered. It is a very sensitive thing. It is for that reason that I am most concerned.

This is an area of the lottery business in Ontario over which no one has any control. We have lots of control over our distributors. You have lots of control over us. We have lots of control over our retailers, but there is absolutely no control over a multimillion-dollar business. It is for that reason that I view this as a very serious problem.

Mr. Offer: I have a supplementary on a point that was brought up in the last question and answer. You indicated earlier that OLC received information that it could not even forward cheques to people in the US. In response to Mr. Stevenson's question, you indicated you had recently seen an advertisement whereby one of these companies indicated that it would collect the money. What do these companies do with it then? Have you any information as to what they are doing? They now have collected the prize, ostensibly as the owner. There are two things they can do: They can invite the ticket purchaser from the US to Ontario to collect the money, or they can do what you cannot and that is to send it to that person. Do you have any information as to what in fact is being done by these sales operations when they collect the prizes as the owners?

Mr. Morris: We have evidence that they do in fact send cheques to the United States because people from the United States Postal Service have made us aware of it. They have intercepted it. I have absolutely no way of saying this is what they are doing. I know they are sending cheques to the US, but then I also get letters saying, "I have not received my cheque and I cannot get any answer from these people as to why." Then I just do not know what has happened.

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Mr. Offer: I will ask one further question as a follow-up. When the US authorities intercept this letter with a cheque in it, what do they do with it?

Mr. Morris: They seize it. You have the right to go down; there is a judicial process in the US.

Mr. Offer: I wonder what is happening there.

Mr. Pierce: It is one of the fringe benefits of working for the post office.

Mr. Offer: The United States Postal Service, I understand.

Mr. Morris: You have it right. There is a procedure in the US for you to go down and argue your case in a judicial hearing to get your mail released to you. I am advised by the post office in the US that none of the Canadian mail order operators has ever availed himself of this procedure.

Mr. Offer: Yes, but what about the person the letter was addressed to? There is a person there who has ostensibly won and has not received any funds.

Mr. Morris: That person is out of luck.

Mr. Offer: They just let it go.

Mr. Morris: He is the sender; he has violated the--

Mr. McGuigan: Supplementary to that, I assume you do not issue a second cheque from the way you are talking.

Interjection: It is not done.

Mr. McGuigan: What if you send a cheque to me and I do not get it after a certain time?

Mr. Morris: In Ontario? We would put a stop payment on it, but there is one major difference here in that you would come to us and say, "You sent me a cheque and I did not get it." We would put a stop payment on it and reissue.

Mr. McGuigan: You would reissue.

Mr. Morris: The person in the US is not getting a cheque from us. He is getting it, allegedly, from the mail order operator.

Mr. Stevenson: One way or another, Mr. Offer has asked the rest of my question, so I will pass to someone else.

Mr. Bernier: Mr. Morris, you do a \$1.2-billion business on an annual basis. The group you are trying to stop does \$60 million a year. How many people work for the Ontario Lottery Corp.?

Mr. Morris: About 245 people.

Mr. Bernier: Do you have any idea how many people work for the groups that are selling outside this country?

Mr. Morris: Not really. I read in the newspapers back in the fall of the numbers of employees that were supposed to be involved. The number escalated from about 500 to 1,000 very quickly, in a matter of a few days; the number kept going up. Even if you extend our numbers to include all our distributors and their staff, and these are not employees of ours, you still would not have 500 people involved directly in the business of selling lottery tickets in Ontario. to sell \$1.2 billion worth of tickets.

Mr. Bernier: I am told that right now there are close to 500 people working in what you call an illegal operation and that they have plans to expand to employ 1,000 people. Do you want to put 1,000 people out of work? I ask you that question because, coming from northern Ontario where a job is a job, and I see what is happening here--this legislation is a forerunner in Canada--I find it hard to believe that the smaller provinces will not say, "We will delay a little bit before we bring in our legislation," and move those jobs to Manitoba or Saskatchewan or some other province, or to northern Ontario.

Mr. Morris: You ask me whether I want to put 500 people out of work. I do not want to put one person out of work.

Mr. Bernier: Great; neither do I.

Mr. Morris: However, I do not think the employment argument has ever been used to justify the bootlegging of alcoholic beverages in this province.

Mr. Bernier: I do not know; how many names--

Mr. Morris: You gentlemen are the ones who pass the laws in this province.

Mr. Bernier: I have no idea how many bootleggers there are in Ontario.

Mr. Morris: You have laws in place that prevent bootlegging. I am sure you would not accept employment as a reason for taking bootlegging off the books. If an operation is illegal, then I do not think employment is an argument. If it were, I am sure we could put a lot of people to work doing many illegal things.

Mr. Bernier: But they have been operating for 10 years, Mr. Morris, and they are not illegal now. This bill will make them illegal.

Mr. Morris: They are illegal now, Mr. Bernier.

Mr. Bernier: They are still operating.

Mr. Morris: Oh, yes. Listen, there are banks being robbed today, and that is illegal. The fact that something gets done does not mean that it is illegal or that it is not illegal. All kinds of things go on in the streets that are illegal, but they still go on, and many for a lot longer than 10 years.

Mr. Bernier: They always will. I do not think we will pass enough legislation to stop everything and make purists of all of us.

Mr. Morris: I do not think that is really a valid argument in this particular situation, that it means some jobs. Let us look at what happens if public confidence falls apart in the OLC and its operations. How many thousands of people are involved in jobs across this province indirectly and directly? I am not talking just about lottery employees or the employees of distributors. I am talking about the people who print tickets, the people who service computers and the people who build all the various projects across this province that have been made possible by the money that has flowed from the lottery operation. I think this is what you have to look at: What can happen if the situation is undermined and we start losing the goodwill of the people of Ontario who buy our tickets in much larger quantities?

Mr. Bernier: I think the Ontario Lottery Corp. has gained a tremendous amount of public respect and integrity. I have to say that and I say it with a great deal of pride as a person from Ontario and as part of the process. I will tell you, I have visited the firms that are operating, you say, illegally--I wonder if you have--to see those people actually working--

Mr. Morris: They have never invited me.

Mr. Bernier: They have never invited you?

Mr. Morris: I should not say that. They have, during recent weeks, extended invitations that we were advised would not be appropriate for us to accept at this time. But we are aware that it involves some jobs. I do not know what the quality of some of those jobs is.

Mr. Bernier: I was impressed with their working conditions where they were working; I was impressed with their attitudes. I think they felt very comfortable with what they were doing. We asked a couple of them what their pay rate was, and they were very satisfied with the pay rate. So all the benefits were there that go with having a job. Coming from northern Ontario, I have to tell you I am very sensitive about losing jobs, and if we could move your whole lottery corporation a little further north to Kenora--

Mr. Morris: What more can we do? I mean, we are picking up bag and baggage and coming up to--

Mr. Bernier: That is how desperate we are for jobs in northern Ontario. We have invited you to Sault Ste. Marie.

Mr. Chairman: Mr. Morris, I can remember a while ago when there was a lottery winning and the winner had not come forward, but the lottery corporation or someone stated that the winner was from Ontario. How did you know that if there is complete anonymity? This was in Lotto 6/49, I think.

Mr. Morris: In Lotto 6/49 we can search the computer tapes and know how many winning tickets we have. We know where the winning tickets are sold, whether they are sold in Ontario, British Columbia or Quebec. We knew that the winning ticket had been sold in Ontario, but we did not know who owned it.

Mr. Pierce: I want to pursue again Mr. Bernier's point on employment. This is the one also in respect to legislation by other provinces in other jurisdictions. As you indicated in your remarks, Ontario would be the leader in this legislation, and the other provinces are watching with a jaundiced eye to see what kind of legislation we produce.

Mr. Morris: Not a jaundiced eye; they are looking very--

Mr. Pierce: I do not want to designate or select an individual province, but there are provinces in the Commonwealth that are really hard pressed for jobs. When you start talking about 500 to 1,000 jobs, that legislation may be very slow in coming. I am afraid that if this kind of legislation is passed in Ontario, we will really just legislate those jobs right out of Ontario to another province. I would go a step further and ask what kind of guarantees we have in Ontario, if we adopt that kind of legislation, that the other provinces are going to fall into line immediately.

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Mr. Morris: I am sure you do not expect me to answer that question. I cannot give you a guarantee. All I can indicate to you is that the other provinces, whose representatives sit with us on the Interprovincial Lottery Corp. board of directors, have indicated they are most anxious to put the same type of legislation in place in their jurisdictions, because every province has a similar situation. They stand to lose, comparatively speaking, a lot of money if this thing is not brought into line.

Mr. Pierce: In your remarks you also said other provinces, to date, do not have the operators that exist in Ontario, so the other provinces are not as individually concerned. They may be concerned, but it is not top priority on their legislative agendas.

Mr. Morris: If our legislation is passed, if Bill 115 is put in place, I think you will find that they will do it because they do not want the problem. For instance, I had a query just a week or so ago from one of the senior civil servants in Prince Edward Island. Somebody was making inquiries, through a couple of local people, about setting up an office. He said: "Our Premier does not want this to happen in Prince Edward Island. Who are these people?" He went on to say: "Keep me informed. As soon as your legislation is in place, we want to look at it."

Mr. McGuigan: You (inaudible) want to quarrel with Vancouver and Montreal.

Mr. Pierce: That is right. There have been some funny things happening in the last month or two. We see the Premier of Ontario saying what a bad deal we got on softwood lumber and we see the Premier of British Columbia saying: "What a sweetheart deal this is. We have got all kinds of money now to spend on the forest industry. We will take those jobs. We will take that money and put it into the forest industry." We see another Premier who says, "We are afraid to buy any more seedlings in case the American industry does not like it and imposes more tariff duties on us." We see this kind of infighting among the provinces. I am not sure they are going to jump on the same wagon we are on.

Mr. Morris: That is an interesting comment, because last month at the Interprovincial Lottery Corp. board of directors meeting, which happens every two months, we met and this subject came up. One of the very senior civil servants from one of the provinces said, "Of all the things that get handled by provinces, there is more unanimity in the lottery business than in all these other problems you have mentioned." We have had a good record. I am not going to say it is an easy task all the time to reconcile all the differences, but we have had a good record of solving lottery problems jointly across Canada. Look what the provinces did to the federal government on lotteries. That was only through a joint action.

Mr. Bernier: Maybe the time has come to give this issue to Mr. Reisman to settle in the free trade aspect.

Mr. Morris: I always look on you as a friend of the lottery because of all the good things we have been able to do in northern Ontario. As a result, I hate to think of your doing that to yourself.

Mr. Chairman: Mr. Bernier is not in the government any more. He does strange things.

Interjections.

Mr. Morris: I do not think any of the members of the committee would want to buy American tickets. Ours are so much better.

Mr. Bernier: That is right.

Mr. Morris: Just think, they are tax free and in a lump sum.

Mr. Pierce: That is right, and listen, I have no--

Mr. Chairman: --as well on second reading of this bill. It was passed unanimously in the House.

Mr. Pierce: I have no qualms about accepting American money coming into Canada so that we as Canadians can make use of it.

Just to follow up with a comment, if the illegal sales of lottery tickets are generating \$30 million to \$60 million in sales, that also has to reflect on the amount of profit shown by the OLC; and if we lose that money, maybe we lose a greater flow of money to northern Ontario.

Mr. Morris: Can I put it into perspective for you?

Mr. Pierce: Certainly. Yes, please.

Mr. Morris: If it is US\$60 million, backing out the exchange and backing out the markup according to the most recent brochures I have seen, the net profit that would flow to the government through the Ontario Lottery Corp. would be about \$12 million to \$12.5 million a year. To put that into perspective, this past year, the year that is coming to an end next month, we have been fortunate enough at the lottery corporation to increase our profits by \$125 million. If this bill is passed, I do not think the government of Ontario will be short of lottery profits to do the many things it no doubt wants done in northern Ontario. Do not forget, we are going up there as residents pretty soon, and we are quite worried about ourselves, too.

Mr. Bernier: Are you moving up?

Mr. Morris: Yes.

Mr. Bernier: Good.

Mr. Chairman: Are there any other questions from members? If not, thank you, Mr. Morris, for coming before the committee.

We have three more days in which to deal with Bill 115. On Thursday we hope to hear from some of the protagonists from the other side. Next Wednesday there is an out-of-province delegation; I am not too sure who it is.

Mr. Reville: Mr. Vander Zalm?

Mr. Chairman: It may be Simon Reisman, for all I know.

A week from Thursday we will resume for any clause-by-clause discussion or amendments the committee members might want to engage in at that point.

I should remind members that on Wednesday we will deal with the Ministry of Northern Development and Mines, and on Thursday it is back to Bill 115.

The committee adjourned at 4:57 p.m.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

ONTARIO LOTTERY CORPORATION AMENDMENT ACT

THURSDAY, FEBRUARY 5, 1987



STANDING COMMITTEE ON RESOURCES DEVELOPMENT
CHAIRMAN: Laughren, F. (Nickel Belt NDP)
VICE-CHAIRMAN: Reville, D. (Riverdale NDP)
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Morin-Strom, K. (Sault Ste. Marie NDP)
Offer, S. (Mississauga North L)
Pierce, F. J. (Rainy River PC)
South, L. (Frontenac-Addington L)
Stevenson, K. R. (Durham-York PC)

Substitutions:

Hayes, P. (Essex North NDP) for Mr. Morin-Strom
Rowe, W. E. (Simcoe Centre PC) for Mr. Bernier

Clerk: Decker, T.

Witnesses:

From the Ontario Ticket Purchase Services Association:
Yemec, G. M., President

From Aimes Communications Inc.:
Linden, H., President

From Dataprep Canada:
McGregor, D., President

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, February 5, 1987

The committee met at 3:27 p.m. in room 151.

ONTARIO LOTTERY CORPORATION AMENDMENT ACT

Consideration of Bill 115, An Act to amend the Ontario Lottery Corporation Act.

Mr. Chairman: We are here to continue our examination of Bill 115. The schedule of the committee is that we will deal with deputations this afternoon. It was agreed by the committee that next Wednesday we will hear from people the ministry is sending in. I think one person is from Quebec and one from the United States. This afternoon we have three deputations on our plate.

We have agreed to schedule the deputation from Mr. Yemec of the Ontario Ticket Purchase Services Association, which is an umbrella organization, from 3:30 p.m. to 4:30 p.m.; Harold Linden from 4:30 p.m. to 5 p.m.; and Mr. McGregor, Dataprep Canada from 5 p.m. to 5:30 p.m. That allows us a little bit of time for slight overruns. Let us proceed with the examination of Bill 115.

Mr. Stevenson: Before we start, I do not want to take valuable time today to discuss other groups or individuals that might want to come in, but there have been requests received. At some time, I would like the committee to consider those requests whenever we get a chance to do it without interrupting the time of the people who have already been scheduled.

Mr. Chairman: I think your point is a good one. Perhaps if we can keep to this schedule and finish at 5:30 p.m., we will then consider anything else for the balance of the committee's time. As you know, it is tight.

Mr. Stevenson: Yes.

Mr. Chairman: Mr. Yemec, will you introduce yourself and your colleagues to the committee?

ONTARIO TICKET PURCHASE SERVICES ASSOCIATION

Mr. Yemec: I am George Yemec, president of the Ontario Ticket Purchase Services Association. On my right is Philip Green, who is the director of research and development for the OTPSA.

The first thing I would like to bring to the attention of the committee is the letter I just delivered to Mr. Laughren along with our brief. It is basically a letter outlining our serious against the way we have been handled by this committee to date.

The letter basically outlines the denial of equitable committee time to the OTPSA, the employees' associations, independent suppliers and the general public who want to be heard before this committee. We have been almost two years lobbying for a day in court, and it has finally come down to the fact I

may have one hour, while the Ontario Lottery Corp. has six hours. That is highly unfair.

I would like to detail how I arrived at this one hour because, at the outset of the hearings, I understood I would have equitable time, at least six hours. I will read the letter because it was just written this afternoon after a lengthy discussion with Mr. Laughren, where we basically were at loggerheads.

"Prior to the second reading of Bill 115, the debate in the Legislature centred around the fact that the Ontario ticket purchase services industry had not been given any chance to present their position to the government. They have been denied this opportunity by both Norman Morris, president of the Ontario Lottery Corp., and John Eakins, Minister of Tourism and Recreation.

"Sensing that the bill was being railroaded through the Legislature, Earl Rowe, the Progressive Conservative critic on the matter, persuaded the Legislature to refer Bill 115 to committee, so that the industry would get a fair and equitable hearing and that possibly the elimination of 1,000 jobs and some US\$60 million in lost revenue would be further and thoroughly investigated.

"We applauded this action and began to prepare ourselves, after two years of lobbying, for our day in court.

"Your actions as chairman of the committee on resources development have left us in shock as to your committee's treatment of the scheduling of our matter and the denial of equitable time to those most affected by this damaging, discriminatory and petulant legislation.

"In my discussions with you, you recognized that the industry suffered from many misconceptions and the resulting image in Ontario could generally be regarded as poor. To correct these false impressions, an integral part of our presentation, you agreed that the first order of business on the agenda of the committee would be a visit to one of our member operations by the committee as a whole.

"The committee was officially scheduled to visit our member offices on January 29, 1987." We prepared ourselves for that visit. "Unfortunately, due to an emergency debate in the Legislature regarding the international banking designations, only two members of the committee, with one additional member coming halfway through, were able to make the visit. In addition, the members were only available for a short period due to the need to return to the Legislature for the debate. The members were yourself, Mr. Laughren, and Mr. Offer, with Mr. McGuigan joining later.

"We felt that three members of the committee for a very short visit did not solve our problem, especially as we had stopped lobbying the individual members because of your commitment to us.

"On Friday, January 31, 1987, we were informed that the committee would resume on Monday, February 2, with Norman Morris being allocated the full afternoon from 3 p.m. to 6 p.m. We were told the OTPSA would be scheduled for February 11 and/or 12," some nine days later.

"We asked Todd Decker, the committee clerk, for confirmation and whether the hearings were public and what depositions would be heard. He told us he thought it was public but he wasn't certain and he wasn't certain who would be appearing.

"After the committee meeting on Monday, February 2, we were advised that our meeting would now be scheduled for Thursday, February 5," in effect, pushing it forward four days, "and we would have that afternoon, with the Ontario Lottery Corp. getting another chance to bring their witnesses and the minister on February 11," the afternoon we were originally scheduled for "and we would be limited to February 5 only.

"We protested the short notice," two days, "as not all of our witnesses and outside suppliers, deputations and employee representatives could make it and we asked Mr. Laughren and Mr. Decker for more time. We were told that it was too bad.

"That was on Monday evening. Tuesday morning I was told by Mr. Decker that Mr. Laughren had decided that I personally could speak on behalf of the OTPSA for half an hour and that my three witnesses Mr. Green, Mr. Outerbridge and Ms. Silvera would have one half hour each. A total of two hours!

"I called Mr. Laughren to protest the treatment, especially the fact he was reneging on his commitment to our association of a meeting of the whole committee. We also protested the lack of time allocated to us and the unfairness to independent suppliers and groups who would have no opportunity to speak.

"You, Mr. Laughren, told me you would get back to me Wednesday afternoon." That was yesterday. "On Wednesday evening, I got a call from Todd Decker, telling me that Mr. Laughren then decided that the OTPSA would now have only one hour" today "to present their case. I phoned you Thursday morning and explained my plight to you. Your statement to me was that you had decided that one hour was enough for the 500 jobs I represent, and that was final.

"As chairman, you reneged on a commitment that was integral to my case. You played hopscotch with dates to ensure that we would have little, if any, time to prepare our deputations. You cut our time from six hours to two hours to one hour, without any reason other than that you felt 'it was a government bill, and the government should get more time.' You told me initially that I could get at least equal time with Mr. Morris and then reneged on that as well.

"All in all, Mr. Laughren, you have abused your power as chairman of this committee beyond all reason. You have not addressed the mandate of this committee, namely, to give our industry a fair and equitable opportunity to present the facts." That is what I understood the mandate of this committee to be.

"You have denied us our basic democratic right, and I demand that you meet your responsibility by allowing us full and equal time, all the time that had been promised to us by this committee. I will accept nothing less on behalf of the 1,000 jobs and the thousands of people who will suffer as a result of your high-handed negligence."

I put this letter to you this afternoon in the hope that the committee as a whole can sense my frustration, the frustration of the people I represent and the frustration of the people who have been phoning me asking, "When can we be heard?" My suppliers, printers, telephone supply companies, employee associations and individual employees have all informed me they have called Todd Decker and have been told: "No time. Too late. Too bad."

When I asked you yesterday if these people had been presented to the committee, you informed me no, you did not feel they should be presented to the committee at this time. You have left me nothing but a need for this demand to have equal time. I need at least six hours. If I cannot have it scheduled for today, I would like it scheduled for some other time that the committee feels appropriate. I will then present the remainder of my deputations.

Mr. Chairman: Is that the total of your presentation?

Mr. Yemec: No. That is the beginning of my presentation. I would like to discuss it with the committee, with your permission.

Mr. Chairman: The committee is meeting this afternoon to hear your presentation, and we await it.

Mr. Yemec: I would like to understand that I will have more time than this afternoon.

Mr. Chairman: I think you heard the discussion earlier, that the committee will be meeting at the end of the afternoon to determine the balance of our schedule. If you want to proceed with your presentation now, would you please do so?

Mr. Yemec: I will proceed with my presentation after I get some understanding that we need six hours. Can that be put on record?

Mr. Chairman: The fact you want that is on record, yes. This is in Hansard.

Mr. Yemec: Thank you.

Mr. Chairman and members of the committee, today I propose to deal almost exclusively with the three issues on which the Ontario Lottery Corp. has based its argument for the passage of Bill 115.

The first is the legality of our industry. Contrary to the assertions of the lottery corporation, we are prepared to show you that our operations are perfectly legal, both in Canada and in the United States. In the US, the relevant postal laws have been condemned as archaic, and the US Department of Justice considers them unenforceable and probably unconstitutional. From a prominent firm of New York attorneys, we have a detailed opinion that vindicates our position.

The second issue is the matter of the integrity of the lottery system. Here we will show you many pieces of evidence to demonstrate that no one is more anxious than we are to preserve and enhance the integrity of Ontario lotteries. The reason is very simple and practical. Any threat to their integrity is a threat to our industry. If that integrity ever becomes seriously eroded, we will be out of business. To suggest the contrary, as Mr. Morris did, is ridiculous.

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The third aspect is composed of two basic economic issues: jobs and money. We have spent 10 years building an industry that provides 1,000 jobs in Ontario, almost 500 direct jobs and, indirectly, at least 500 others. At the

same time, we as an industry are bringing US\$60 million in revenue into the province.. For the people of Ontario, the government and the lottery corporation, the cost of this revenue is zero. It has been often described, quite accurately, as a voluntary tax paid by nonresidents, mostly Americans.

However, before I comment in more detail on each of these three aspects of the bill, I must draw to your attention one particular statement made to you here in this room by the president of the lottery corporation on Monday.

As you no doubt recall, Mr. Morris pointed out several times that it is illegal to send lottery materials into the United States. He emphasized repeatedly that he wanted Bill 115 passed into law so that this dreadful and immoral practice could be stamped out once and for all. When he was questioned about the lottery corporation's own practices in this regard, Mr. Morris said quite categorically: "We do not send cheques...to winners in the United States."

Either Mr. Morris was misleading you on this point or he has been misleading the Minister of Tourism and Recreation (Mr. Eakins). I suggest that Mr. Morris misled you on this point and that he did so deliberately, since I will show a little later in this presentation that he has also made other statements to you that are, to put it charitably, not founded in fact.

On this matter of sending or not sending cheques to the US, there is one other possible explanation, although it is an explanation that no taxpayer, lottery player or member of this Legislature would want to entertain. Is it possible that Mr. Morris is unaware of what is going on in his own office? I refer, as you might guess, to letters, lottery tickets, lottery cheques and other lottery material that his staff have been sending routinely to lottery players in the US.

To demonstrate the truth of what I am saying, I will quote first from a letter written to me last October 28 by the Honourable John Eakins. The minister was responding to a letter of mine in which I pointed out that the Ontario Lottery Corp. was making a regular practice of mailing lottery tickets, lottery cheques and a list of lottery numbers to US residents. Mr. Eakins replied in these words:

"On the subject of the Ontario Lottery Corp.'s alleged violation of US postal laws, I understand since the corporation is not promoting the sale of its tickets but merely fulfilling obligations, its activities are not seen as being in contravention."

Yet Mr. Morris told me that was not happening. As you recall during his appearance here, Mr. Morris made no distinction between promoting lotteries and fulfilling obligations. Certainly, the law itself, such as it, makes no such distinctions. Mr. Morris said quite categorically that it is illegal to send lottery materials--at one point, he used the term "paraphernalia"--into the United States. Either Mr. Morris has provided the minister with advice that is quite contrary to what he told you here or Mr. Eakins knows something Mr. Morris does not know.

As for Mr. Morris's statement that the lottery corporation does not send cheques into the US, let me quote briefly from two or three of many letters we have in hand that were sent routinely by the lottery corporation to residents of the US as a normal course of action:

"To James G. Glover, Augusta, Georgia:

"Dear Mr. Glover:

"Congratulations! Enclosed you will find eight free tickets and 11 cheques representing your Instant Match 3 prizes. We are returning your remaining tickets as they unfortunately do not appear to be winners.

"Yours very truly, Wendy Horne, consumer affairs, Ontario Lottery Corp."

"To Jane A. Anderson, Glasgow, Montana:

"We are pleased to enclose two cheques to cover your Instant Games Lucky 5's prizes...Thank you for participating.

"Darina Phillips, prize office supervisor, Ontario Lottery Corp."

"To C. H. Cook, Orange Park, Florida:

"Enclosed you will find a free Grand Prix ticket and three cheques representing your Instant prizes."

That is from Annette Taylor, co-ordinator, consumer affairs, Ontario Lottery Corp.

"To Mrs. Agnes Houdek," another lucky winner, "Traverse City, Michigan:

"Congratulations on your good fortune with Wintario! Enclosed you will find a free book of Wintario tickets representing your Win'fall prize...Best of luck in the draw!

"Yours truly, Annette Taylor," etc.

All these letters, and no doubt many other like them, have gone out routinely from the Ontario Lottery Corp., which according to Mr. Morris does not send cheques into the United States.

Mr. Morris might be inclined to point out that the letters I quoted were dated in the first several months of 1986, with the implication that the Ontario Lottery Corp. has since mended its evil ways, in which case I suggest it would be appropriate to ask the president what prompted such a recent reform. I believe he made it clear that he has been aware of those US postal laws for several years, and so it seems fair to wonder whether Mr. Morris is just as capricious in observing those old postal laws as the US authorities are in enforcing them.

In any case, as members of this committee consider the arguments being placed before you in regard to Bill 115 and the credibility of the witnesses, you will perhaps bear in mind that Mr. Morris's presentation to you was not distinguished either by its candour or by its adherence to facts.

Now let us look at little more closely at the issue of legality. First, the question of Canadian law. According to Bill 115's compendium, our industry has made the lottery corporation "an unwilling partner in an activity which contravenes US laws and, based on an opinion from its legal counsel, Canadian law as well." Such a vague assertion about Canadian law gives rise to a question we believe this committee might well direct at the OLC and its legal advisers: What Canadian law is being violated?

In Canada, there is no prohibition with respect to the mailing of

lottery solicitations from Canada to any country in the world. In fact, federal Bill C-81, An Act to amend the Criminal Code, which received royal assent on December 20, 1985, was described officially in the following words:

"This bill will end the federal government's involvement in lottery matters and will enable Canadian companies to export products related to lotteries and games of chance."

In a later passage, the same official summation said: "In addition, Bill C-81 makes it lawful for Canadian companies to export accessories to be used for gaming and betting."

Yet Mr. Morris would have you believe that when we send lottery materials through the mail, we are breaking Canadian law. I am not a lawyer, but I would be astounded to hear of any law that takes precedence over the Canadian Criminal Code. If Mr. Morris knows of such a law, perhaps he could let us in on the secret. He might begin by sharing that secret with his own vice-president of sales, Michael Holroyde.

Only last month, Mr. Holroyde of the OLC had occasion to testify at proceedings in the Supreme Court of Ontario. Speaking on behalf of the Ontario Lottery Corp. while under oath, Mr. Holroyde said that the corporation does not actually know whether our activities are in contravention of the law and that the assertions which the Ontario lottery spokesmen have made to that effect are merely speculation on their part.

Over 1,000 jobs are being threatened and condemned by speculation, as admitted by the OLC. Certainly, the Ontario Lottery Corporation Act does not prohibit our activities. If it did, Mr. Morris would have long since been calling for its enforcement. We have been in operation for over 10 years; obviously, if he could use the present lottery act to shut down our industry, he would not need Bill 115.

Mr. Morris also took pains to point out that his corporation is a business, not a police force. His point was well made, and since he is not a lawyer, a crown prosecutor or a law enforcement officer, he may be puzzled as to how we have managed, over the 10-year life of our industry, to establish and maintain the most cordial relationships with the following agencies:

The Royal Canadian Mounted Police, the Ontario Ministry of Consumer and Commercial Relations, the Ontario Provincial Police, the Metropolitan Toronto Police fraud squad, the Metropolitan Toronto Police morality squad, the Canada Post inspections branch and the Better Business Bureau of Metropolitan Toronto.

You may recall last evening there was a CBC News interview with a Better Business Bureau spokesman on this issue wherein he categorically stated that from their point of view there was nothing immoral or illegal in our industry and that there were very few complaints. We have no way of knowing whether the Ontario Lottery Corp. has ever urged any of these organizations to undertake legal proceedings against us, but we do know this: Most, if not all, of those law enforcement and consumer-oriented bodies have investigated our activities quite thoroughly and they have concluded that we are not violating any laws. Certainly, you can be sure that if we were breaking the law, we would have been prosecuted quite vigorously by this time.

ironically, by Mr. Holroyde, the Ontario Lottery Corp. vice-president. Mr. Holroyde testified in the Supreme Court that he and his colleagues know of no Ontario law that has ever been or ever will be broken by the mail order sale of lottery tickets. This was under oath. He told the court the only Canadian law they know of that might conceivably be broken is the Criminal Code of Canada. Evidently, he has never read Bill C-81. In any case, he admitted that the lottery corporation has never sought or obtained an opinion on this point from the Attorney General's office.

When Norman Morris appeared before this committee the other day, he also made reference to the International Postal Convention, which declares certain lottery materials to be unacceptable for mailing. His remark begged a question that nobody in this committee saw fit to ask: If we are violating the postal convention, why has no one brought any action against us? The answer is that it is a moot point whether Canada is party to the relevant section of the postal convention at all, and consequently, legal authorities differ on whether that section applies in Canada.

Let us turn to the matter of US law.

Mr. Morris would like you to believe that American authorities have an open-and-shut case against us under US postal law. How he arrived at this conclusion is difficult to understand inasmuch as Michael Holroyde, only a month ago under oath in the Supreme Court, admitted that while the Ontario Lottery Corp. has made a habit of describing our activities as illegal in the United States, the Ontario Lottery Corp. has never received a legal opinion on that point from any qualified expert. He admitted that under oath. Mr. Holroyde conceded that the Ontario Lottery Corp. statements about US law are in the same category as the things they have been saying about Canadian law: mere speculation on their part; mere speculation behind the essence of Bill 115.

In that respect, we are in a position to shed some revealing light on this matter, having just obtained a lengthy and detailed opinion from a firm of New York attorneys noted for their expertise in US postal law, including laws affecting the mailing of tickets and other lottery material. This is the first qualified opinion that has been presented to this government regarding the law that has been debated under Bill 115.

I hope you will see fit to allow time for me to quote more fully from this legal opinion, since it is perhaps the most fundamental point of contention raised by the lottery corporation as grounds for passage of Bill 115. For the moment, I will simply say in passing that the legal opinion supplied to us yesterday, February 4, by the law firm of Rabinowitz, Boudin, Standard, Krinsky and Lieberman provides complete vindication of our position. Perhaps the most telling passage of all is one which declares, "It is entirely legal to mail lottery materials, including tickets, as long as the material is mailed to addresses located within a jurisdiction authorizing a legal lottery."

As members of this committee will appreciate, that legal position completely destroys any basis in law for the cosy agreement which various lotteries have about avoiding sales in each other's territories.

The legal opinion I have just cited is included in section 9 of our brief, which you all have. I urge all committee members to study it very carefully. Certainly, I will make sure a copy of this section in particular is forwarded to Mr. Morris, who obviously needs every bit of help he can get in interpreting US postal law.

One point Mr. Morris surely has been aware of, although he neglected to mention it at these hearings, is that the laws he has built his case on are in serious disrepute among the highest legal authorities in Washington. By way of a little history, these laws were passed in the 1890s when there was a genuine need to shut down crooked lotteries being run privately in Louisiana. Those old laws were not intended to be directed against legitimate business people who use the mails to advertise or promote lotteries conducted fairly and honestly by government-sponsored organizations. In recognition of changing times, certain sweeping exceptions were enacted in the mid-1970s, but the basic statutes remain antiquated and overdue for more extensive reform.

That is not just our opinion; it is the opinion of the US Senate judiciary committee, which issued a report on the matter. In one key passage, the judiciary committee declared the following:

"These laws [the report continued] have lingered as part of the Criminal Code even into the present era when fully 45 states permit wagering on bingo, when at least 36 states allow betting on horse races and when 18 states themselves conduct lotteries. The only exception to the otherwise sweeping ban on gaming information was created in 1975 as 18 USC, section 1307, which permits state-run lotteries to advertise in the state holding the game and in adjacent states that themselves conduct lotteries."

Even more to the point in our deliberations here is a provision in section 1307 which also permits the use of US mail by US residents taking part in foreign lotteries.

As for the constitutionality of these laws, let me quote the comments made by the deputy assistant attorney general, the Honourable John C. Keeney, when he testified before the Senate judiciary committee on September 22, 1983. Mr. Keeney spoke in favour of a legislative proposal to allow the advertising in interstate and foreign commerce of any lottery scheme as long as it was authorized by state law. Mr. Keeney testified:

"Lotteries--that is, all gaming schemes which involve consideration or prize in a decision by lot or scheme--could be advertised in interstate commerce and by mail under the bill so long as lotteries were authorized, licensed and regulated by a state.

"Previously, we have taken a stand in opposition to bills such as this to prevent conflict with the laws of states where lotteries are illegal, as well as those with authorized lotteries, but restricting the advertising permitted with respect thereto. Our position has changed, Mr. Chairman, because of the action of the Supreme Court in the Bigelow versus Virginia case, 1975, which casts serious doubt upon the enforceability of the lottery statute as presently written.

"While it is true that Bigelow dealt with restraint under state law, we are not aware that the Constitution grants the federal government any greater power to restrain publication of information in unregulated areas. Thus we have serious doubts about our ability to enforce the provisions of chapter 61 of title 18, as they apply to advertisement of lotteries legal in a state in which they are conducted."

That opinion--and it is repeated in section 9--goes a long way towards explaining why postal authorities confiscate our mail only sporadically and why they seldom, if ever, attempt to prosecute alleged offenders in their own country, never mind those of us who operate in Canada. Postal authorities

themselves cannot agree on what is legal and what is not. Regional postmasters who seize our mail keep receiving directives from Washington to cease and desist.

If the law were as cut and dried as Norman Morris says it is, US authorities would be stopping the international mailing of such publications as the New York Times, the Los Angeles Times, USA Today, Time magazine, the International Herald Tribune and Esquire magazine. All these newspapers and periodicals regularly publish lottery advertising and lottery results. By the same token, the Globe and Mail would be barred from distribution in the United States since it carries news of winning lottery numbers.

Those are just the highlights of the legal information we have put together for your consideration. I urge all committee members to study this aspect of our case further by reading section 5 of our brief, which provides a perspective of the relevant laws on both sides of the border, and section 9, which is the qualified legal opinion we have obtained on US law.

Another basic theme voiced in support of Bill 115 is the principle of integrity, the integrity of the Ontario lotteries.

The most important point I can make on this subject is one that is so fundamental that it is virtually self-evident. Our industry relies for its very existence on the integrity of Ontario lotteries. Without it, we are dead. We have thrived for more than 10 years because Ontario has conducted superior lotteries that enjoy a fully deserved reputation for honesty and value. We stand second to none in our determination to maintain the integrity of Ontario lotteries. That is our business.

Integrity, by its very nature, is an amorphous thing. Even so, it seems fair to observe that Norman Morris has produced not so much as a single shred of evidence that our industry has had the slightest adverse effect on the integrity of Ontario lotteries or the OLC itself. Mr. Morris evidently felt no compulsion to prove this point when he raised it during these hearings, but when his colleague Michael Holroyde was testifying under oath in the Supreme Court, he was obliged to concede that the Ontario Lottery Corp. is completely unable to substantiate its contention that our sales impair the integrity of Ontario lottery products. Again, under oath, he admitted that the whole thing is pure speculation on their part. That was stated under oath by the vice-president of the Ontario Lottery Corp. They do not really know and they have no evidence, he continued.

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It would be an astounding thing if they actually had any evidence to support their argument, since our industry has prospered from day one by making a constant practice of praising and promoting the value, the honesty and the basic integrity of Ontario lotteries. Why should we not? We are selling the ticket services and we have every good reason to believe in the product. It is the best product in international lottery sales. As a matter of policy, we also make a regular practice of dealing promptly and fairly with any complaints coming to our attention from any source. We have even set up a special fund to look after complaints that may arise from customers of ticket purchase companies that have gone out of business or moved out of the province. That includes companies that have never belonged to the ticket purchase association. In a nutshell, we take care of all problems promptly and back them up with dollars and cents.

The only complaints we have not dealt with are those that Mr. Morris and his colleagues have received, and they have repeatedly refused to pass these along to us for action.

Perhaps it struck you as strange that Mr. Morris in one breath expressed his concern over the integrity of Ontario's lotteries and then, in the next breath, calmly related how he and his people have done nothing whatever to help rectify the errors he implies are the basis for the complaints the OLC has received from US lottery players. Instead of providing us with copies of these letters of complaint, he has, by his own admission, simply had his people respond by telling the unhappy lottery players that the mail order lottery business is illegal and therefore they are simply out of luck.

Mr. Chairman, I can assure you that the few dissatisfied customers we have are not out of luck if they write to us instead of Mr. Morris and his colleagues. If we commit an error, we make good on it. That is not hard to do, since we make very few errors. We are a service industry and we move quickly to clear up any misunderstandings, always giving the customer the benefit of any doubt.

That is our idea of how to preserve integrity. Mr. Morris evidently believes it is better to cite an antiquated law and then wash his hands of the problem.

Since my time here has been limited severely, I will not get into a numbers game over the volume of complaints. But let me point out one fact: By Mr. Morris's own account, he has received about 200 letters of complaint each year for the past three years. That by his own account; 1984, 1985, 1986, 200 complaints a year. That is 200 critical responses to 20 million pieces of mail going out of Ontario into the US each year. Does the Ontario Lottery Corp. do as well? Indeed, can you think of any organization in the world with a better record? If we had the same rate of undeliverable mail and delayed mail as Canada Post, by its own admission, Mr. Morris would not be looking at 200 letters; he would be looking at 800,000 letters.

Canada Post operates at a four per cent problem. Obviously, an error rate of that magnitude would pose a genuine threat to the integrity of the Ontario lotteries.

I will mention just two other flaws in Mr. Morris's warnings about integrity. Since, by his own admission, he is anxious to limit the distribution of his lottery tickets to people living in this province, why in the world is he worried about the opinions of US residents? It makes no sense, categorically.

On the other hand, if our activities are actually besmirching Ontario's reputation, how does Mr. Morris account for the growth and success of our industry? After all, we have been in business for 10 years. Does the word not get around? Obviously, Norman Morris wants to have it both ways. He wants to put us out of business on the unproven grounds that we are spoiling his lotteries and at the same time he deplores our success.

I want to move on now to issues which must surely concern all members of this committee, regardless of the views they may hold about lotteries. These issues centre on two concerns that could hardly be more basic to all of us: jobs and provincial revenue.

As you have already heard, the lottery ticket purchase industry contributes substantially to the economy and the wellbeing of Ontario and its people in several ways: (1) through direct employment of people in a wide range of managerial positions, skilled and semi-skilled jobs; (2) through extensive purchases of goods and services whose suppliers employ as many or more people than the industry itself, and I mention here that these suppliers have been denied a right to appear before this committee; and (3) through the multiplier effect by which members of those first two groups stimulate the economy by spending the wages and salaries they earn as gainfully employed citizens.

Meanwhile, the lottery ticket purchase industry is responsible for the inflow into Ontario of approximately US\$60 million per year. Mr. Morris saw fit to dismiss this revenue as unimportant to his billion-dollar operation, saying that the OLC's share was only about \$12 million. The actual figure would be somewhat higher than that, but I can assure you that the other \$48 million, or whatever the figure is, does not go into my pocket. We earn a pretty standard return on our investment of money and effort. As with any comparable service industry, our gross revenues are dispersed far and wide through the economy of this province.

Questions have been raised from time to time not only about the number of jobs we represent but also about the quality of those jobs. I have asked the committee to come down and see the quality of those jobs. It has refused. In contrast with the stereotyped and totally inaccurate image of two or three people working on phones in smoky back rooms somewhere, we employ a range of skills and talents that invariably amaze people who are unfamiliar with our operation and our industry. We have not had the opportunity to demonstrate that to the committee because it has refused to come down and see it for itself.

Many of the jobs call for significant levels of skill. Some employees occupy positions by virtue of university degrees, in some cases advanced degrees; many others have jobs based on a community college education. At every level, our employees are paid competitive salaries or wages and collect generous employee fringe benefits. Employees' skills are being upgraded continually through on-the-job training, night study and even daytime courses, for which employers provide time off when necessary. In some cases, employees also receive financial assistance with their tuition fees.

In a typical member ticket purchase company, job classifications include the following: computer systems analysts; computer programmers; computer clerks and supervisors, data entry and order processing; general clerical staff; consumer relations specialists; telephone clerks and supervisors for orders and information; mailing list specialists, purchasing, processing and managing; secretarial staff; accountants and bookkeepers; printers; mailing staff; data researchers and collectors; telecommunications systems analysts and engineers; personnel management and staff training; managers and executives. It is a full gamut.

Most recently, we have been given a federal grant to establish five supervisory positions in Fort Erie.

In our brief to this committee, we present an even longer list of the products and services we purchase regularly. Rather than reading from the brief at this time, I will refer you to the brief where you will see that our industry's needs range from paper products through computer operations, art

work and graphics, consulting and postal services, mail handling and extensive telephone systems and telephone system development.

In short, our activities have a positive impact on many economic sectors, including some that most people would not automatically associate with lotteries.

It is especially noteworthy that the growth which our member companies are projecting for the immediate future will be nurtured in communities where the economic impact of ticket purchase activities is likely to be quite considerable. By opening a branch in Fort Erie, for example, one of our member companies is becoming one of the town's major employers, thereby stimulating the local economy considerably. Similarly, 50 to 100 new jobs in the ticket purchase services industry are in prospect for Sault Ste. Marie, a city that would more than welcome such alleviation of its present economic difficulties.

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We believe our industry, allowed to continue and flourish, as it is now doing and has done for the past 10 years, is likely to bring considerably more foreign revenue into Ontario each year. Before the end of this decade, we predict we will be generating, at a conservative estimate, 1,000 new jobs.

One interesting subsector of our industry is the area of factual research, which has evolved into what might be called the lottery information industry. It is also a saleable product. This sector of the lottery system began with the gathering and dissemination of information for the benefit of our customers. Since then, it has broadened significantly in scope. We produce not only the winners' lists and newsletters that our customers have come to expect as part of our service, but also books and magazines that appeal both to our clientele and to the public at large.

For example, a series of booklets providing full details and analyses of lotteries in various countries was begun in 1977. The first booklet in the series was entitled How to Win Millions in Canadian Lotteries. Subsequent booklets covered lotteries in Japan and the United States. These were followed up by a round-up of Britain's lotteries and football pools and Ireland's famous sweepstakes. Soon after, the information in these individual booklets was updated and combined as part of an ambitious book, The Whole World Lottery Guide, which was later expanded to a second edition covering more than 170 games, including Canadian lotteries from coast to coast. A new edition of the The Whole World Lottery Guide is now in preparation.

Meanwhile, a separate new guide to Canadian lotteries, expected to be especially popular in the United States, has just been published. We expect the demand to push the printing of that book to at least 200,000 copies in 1987 alone, a best seller by American standards, never mind Canadian.

Another continuing source of information for US and Canadian residents alike is The Lottery and Game Review, a monthly magazine published by one of our member companies. The review, which enjoys a large circulation in the United States, was recently used for a special direct mail campaign, involving a print run of 800,000 copies.

Clearly, the lottery information industry of Ontario has developed extensive communications links with millions of individual US residents. In the course of developing this continuing relationship, we have promoted the Ontario lottery industry in the United States and abroad.

Meanwhile, a number of specialists in our industry have acquired extensive knowledge of lotteries and unusual insight into the habits and wishes of lottery players in many parts of the world. Our people have frequently accepted invitations to share this knowledge by speaking at consumer conferences and by being interviewed by the news media.

To give you some idea of our activities in this aspect of consumer relations, I have listed here only a partial record of programs and publications that have featured advice and opinions from experts in our industry. This information is detailed more extensively in appendix D, but let me read to you some of the people who have asked for our expertise.

They include Power Play, a Global TV interview on Canadian lotteries; Newsmagazine, CBC-TV, a feature on lotteries; the Globe and Mail, an interview on the Olympic Trust of Canada lottery; Radio CFAX, Victoria, an interview on the lottery guide; CBC Radio, a morning show interview on Canadian lotteries; the Toronto Sun, consultations; the Cash for Life draw show, a guest appearance; Saturday Night magazine, an interview for a lottery industry article; CHCH-TV, Hamilton, a 90-minute guest appearance on Tom Cherington's talk show; CTV Network, an interview for Canada AM; Global TV, participation in a three-part feature on lotteries and gambling; and the David Frost show, an interview on lotteries as part of an hour-long national program on money.

We made Ripley's Believe It Or Not, a contribution to the Book of Chance. We were interviewed on Morningside. We made First Choice pay TV in a production on millionaires, later seen on Home Box Office in the US. We made Toronto Life magazine, a feature article on lotteries; Fraser's Edge, an interview on lottery trends; CITY-TV, an interview with Barry Callaghan on the art of winning; Maclean's magazine, an interview for a cover story on lotteries worldwide; the Toronto Star, providing background for an article on sports pools; CBC-TV, The National, an interview on sports pools; and Gambling Times magazine, material for a feature on lottery prize structures around the world.

In short, we have developed a whole new exportable Canadian expertise. We are in the vanguard of the world lottery industry. Although these public appearances have done a lot to promote Ontario lotteries, they have not been widely appreciated as a productive contribution from our sector of the lottery industry. All too often we have been unfairly accused of detracting from the good reputation of the Ontario lottery system when, in fact, we have been continually contributing to public knowledge and acceptance of lotteries. That is our mandate. That is our business. That is our service.

With Bill 115 in the offing, the lottery system stands to lose the benefit of all our contributions, which provide valuable advertising, advertising expertise and publicity, and all of that is ultimately translated into revenue from abroad.

To take just one example, the passage of Bill 115 will make it unpractical for us to publish and distribute a new edition of The Guide to Canadian Lotteries, a 200,000-copy best seller that has generated an enormous amount of favourable publicity for the lotteries of this province, at no cost whatever to the Ontario Lottery Corp., the government or the taxpayers.

Summing up the economic aspects, I remind you that the passage of Bill 115 would mean the loss of over 1,000 jobs and over US\$60 million in revenue into the economy of Ontario--that is about C\$84 million--plus the loss of

opportunity for many potential new jobs and future revenue. We predict 1,000 new jobs by the end of this decade. Conversely, the withdrawal or defeat of Bill 115 would achieve much more for Ontario, for its economy and for its people. The demise of Bill 115 would permit the full evolution and growth of Ontario's lottery system, preserving its good reputation and solid integrity. All we have to do is return to the status quo.

As for the legality of our activities, I believe I have shown you that, on the one hand, we operate completely within the laws of this country and that we have a clean bill of health from all law enforcement and consumer-oriented authorities. On the other hand, Ontario would appear foolish in the eyes of many authorities here and abroad if it proceeds with this misguided attempt to bolster antiquated US laws, laws that are held in great disrepute as unenforceable and probably unconstitutional.

I have not taken time here to develop another major theme you will find in our brief, namely, the continuing expansion and internationalism of the worldwide lottery industry. But I can assure you that the passage of Bill 115 will set Ontario apart from many jurisdictions in North America, Europe and Asia. It will not somehow limit the people of this province to the tidy little compartmentalized monopoly that Mr. Morris would apparently like to see. Rather, it will simply hand over Ontario's share of the international lottery business to the United States or to British Columbia, thereby choking off many millions of dollars of revenue each year, while eliminating 2,000 present and potential jobs in Ontario.

That concludes the main portion of my remarks. If I may, I would like to quote portions of two documents that are fundamental to our case. One is our lawyer's memorandum summarizing the Supreme Court of Ontario testimony of Mr. Holroyde, the Ontario Lottery Corp. vice-president. The other is the legal opinion we obtained from the attorneys in New York.

After that, assuming I am permitted some dialogue with your committee, I will be pleased to answer any question you and your colleagues may have about our industry and its activities. After that, I am hopeful the committee, in its wisdom, will declare that it will give us an equal opportunity and equal time with the government's presentation and will meet the commitments that were made to us previously by the chairman and grant us an additional four hours to present our case. As you can see, our brief is quite extensive, and I have not even begun. I will read first from the memorandum.

Mr. Chairman: You had better keep an eye on the clock because members might have some questions of you, and I would not want you to lose that opportunity.

Mr. Yemec: Mr. Laughren, I would not think you--

Mr. Chairman: Time is in your hands.

Mr. Yemec: Time is in your hands.

Mr. Chairman: No. You have your hour.

Mr. Yemec: If it were in my hands, I would be here for quite some time.

Mr. Chairman: It is not, though. You have this hour to use as you see fit; so you decide how much time you want left for an exchange with committee members.

Mr. Yemec: I will proceed within your understanding of the mandate, sir, which I disagree with.

This is section 10 of our brief. It is a memorandum dated February 4. It is a summary of the admissions of the Ontario Lottery Corp. made on its behalf under oath in proceedings pending in the Supreme Court of Ontario by Michael Holroyde, vice-president of sales and distribution.

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I would like to file with the clerk of the committee the actual affidavit from the Supreme Court of Ontario in this case, from which this memorandum was drawn, because I have not had time to reproduce it. It is on record if anybody wants to look at the affidavit. It is following page 70.

First of all, he admitted under oath there is no law or regulation prohibiting the sale of OLC lottery tickets to anyone, to the best of his understanding. Then he admitted there is a policy of the Ontario Lottery Corp. that is directed to eradicating or eliminating mail order sales to persons outside of Ontario.

These sales account for revenues to the lottery corporation, on his admission, of about US\$30 million annually and involve the sale of between 10 million to 15 million separate lottery tickets annually.

Other evidence shows that the gross annual income from this business is approximately US\$60 million and the business employs approximately 500 people directly and another 500 people indirectly.

The policy of the Ontario Lottery Corp. is motivated by the following:

An unsubstantiated belief that such sales contravene the laws of Canada, admitted under oath to be only speculation on their part. They do not know and have no evidence.

Mr. Chairman: Are these verbatim quotes, Mr. Yemec?

Mr. Yemec: This is a summary. The actual verbatim quotes are filed with the clerk of the committee.

Mr. Chairman: So these are not verbatim quotes; they are--

Mr. Yemec: No. They are a summary prepared from that document, and you are perfectly free to peruse that document.

Mr. Chairman: Members of the committee should understand this. The heading says, "Admissions of the Ontario Lottery Corp. made on their behalf under oath in proceedings pending in the Supreme Court of Ontario by Michael Holroyde, vice-president of sales and distribution," which could lead you to believe that they are quotes. I would caution you on that.

Mr. Yemec: They are very close to it.

Mr. Chairman: I just wanted to make that distinction.

Mr. Yemec: Fine, thank you. To continue:

The policy of the Ontario Lottery Corp. is motivated by the following:

An unsubstantiated belief that such sales contravene the laws of the United States of America, admitted under oath to be only speculation on their part. They do not know and have no evidence.

An unsubstantiated belief that such sales impair the integrity of the products of the Ontario Lottery Corp., admitted under oath to be only speculation on their part. They do not know and have no evidence.

An unsubstantiated belief that such sales constitute a severe administrative and logistical problem for the lottery corporation. It had, however, never occurred to the OLC that this was the problem to which today it admits there was probably a solution. It seemed to be an administrative problem.

Also, the Ontario Lottery Corp. at all times has been aware that none of its regulations had at any time been contravened by anyone, nor is there any reasonable likelihood that the regulations ever would be contravened. This was under oath.

Similarly, they know of no Ontario law that has been or ever will be broken by the mail order sale of lottery tickets. Under oath, they say they know of no law.

The only Canadian law they know of that might conceivably be broken is the Criminal Code of Canada, but they have neither sought nor obtained an opinion on this issue from the Attorney General's office.

The legislation does not speak of prohibiting the purchase of tickets by agents, the reselling of lottery tickets or of the selling of lottery tickets by mail order; yet it is these things which the Ontario Lottery Corp. has been attempting to regulate unsuccessfully.

There was a complaint about the use of the trademarks of the Ontario Lottery Corp. That complaint relates to the association by the public of those persons using the trademarks with the Ontario Lottery Corp. and the complaints which are received by the corporation which they believe to impugn the products of the corporation--if there were no foundations for concern with respect to the complaints received and if there were some method to be found for the disposition of the administrative and logistical problem flowing from the correspondence, there would not be any objection on the part of the Ontario Lottery Corp. to the use of its trademarks. Again, admitted under oath.

The Ontario Lottery Corp. has not caused any inquiry to be made as to whether or not any of the complaints have any foundation in fact, and accordingly, are unable to say whether they are true or not. These are the complaints. They have no foundation in fact and the lottery corporation is unable to say under oath whether they are true. These are the complaints that form the basis for Bill 115. These are the complaints that the Honourable John Eakins used in the House when presenting Bill 115: "There are thousands of complaints about this industry. We have to take some action." Under oath, it is quite evident there is no foundation in fact and they are unable to say whether any of these complaints is true.

The Ontario Lottery Corp., in the ordinary course of its business, receives complaints about the tickets which they themselves sell to the

public, and are quite unable to say whether or not they receive more complaints with respect to the tickets that they themselves sell to the public or whether they receive more complaints with respect to tickets sold by mail order. They do not know where they get more complaints. They do concede that some of the complaints made against them directly are true and they also concede that some of the complaints that are made against them directly are untrue and presumably would not be surprised to discover that the same rule of thumb about complaints being true or untrue would apply to the complaints with respect to the mail orders. They never investigated that.

The Ontario Lottery Corp. has never received a legal opinion from anyone that is qualified to express a legal opinion that there has ever been any violation of the laws of the United States of America. They have never received a legal opinion from anybody who is qualified to give a legal opinion about the laws of the United States. We have.

The Ontario Lottery Corp. has never sought nor has it ever obtained a legal opinion from the Attorney General of the province of Ontario as to whether there has been any contravention of any of the laws of Canada or any of the laws of the United States of America. They have never received an opinion; never asked for one. They are going to eliminate 1,000 jobs in Ontario, and they never for asked an opinion on whether there is any basis for it in fact. Neither has the government done that.

The Ontario Lottery Corp. handles complaints received from Canadian residents differently than complaints received from US residents. The complaints received from Canadian residents are passed to someone in the Ontario Lottery Corp. who can resolve the problem and solve the complaint. The complaints received from US residents--which are ticket purchase service companies--are never passed on to the mail order companies who can solve their problems, but are instead responded to by the lottery corporation with a letter of explanation as to why the complaint cannot be resolved by the lottery corporation.

The Ontario Lottery Corp. has made no inquiries or investigation to determine the integrity of the mail order operators. They have made no inquiry to determine whether they are honest, whether they are accurate in the ascertainment of winners and whether they pay off to the winners. No inquiries, no investigation; a lot of accusation, a lot of speculation. Under oath, no inquiries, no investigation, but speculation, accusation.

Other evidence shows that the total of all mail received including inquiries as well as complaints aggregates 8,500 pieces of correspondence per year from the United States--that is their quote: 8,500 per year from the US--and of these, only 137 per year could be classified as complaints. This is actually his statement under oath, that only 137 could be classified as complaints. The Ontario Lottery Corp. has no information as to what a reasonable percentage of complaints to ticket volume sales would be. We do 20 million transactions. What is an error rate? The human error rate is basically, in statistical terms, two per cent to four per cent; when you drop your pencil or spelling--no understanding.

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The Ontario Lottery Corp. has no information as to what a reasonable percentage of complaints to ticket volume sales would be. They know that there would be a certain statistical percentage of complaints but what that is they do not know and cannot say whether the number of complaints received is larger

or smaller than that percentage which they never bothered to find out what it should be. The percentage of complaints to mail order sales on these numbers is in the order of 0.014 per cent.

I have been in the direct mail industry now for probably 20 years, as president of different companies, and to me that is an exemplary percentage, unheard of in the industry. This is a percentage examined under oath, comparing their complaints, which they suggest came from all sectors of the consumer relations world. They got them from the Governor General, from the Ministry of Consumer and Commercial Relations, everywhere. This is what they ended up with, under oath, under examination--not the thousands of complaints which were in the compendium for Bill 115, not the thousands of complaints which were screamed to the media, not the thousands of complaints with which this bill was being railroaded through the House and is now being railroaded through the committee.

It never occurred to the lottery corporation that the problem might be a purely administrative or secretarial problem. They do concede that if they had thought of it as being that, upon applying themselves to the problem they probably would have come up with a solution. This is a vice-president of the Ontario Lottery Corp. testifying under oath that if he had thought of it, that by applying himself to the problem he would have come up with the solution to it. Instead of applying themselves to solving it as an administrative problem, they chose to resolve it by simply eliminating the mail order business. Typical type of government move--if you cannot solve it, if it is an administrative problem, get rid of it. "I am the government. No time. Get rid of it--1,000 jobs up the pipe." Eliminating the mail order business--\$40 million into the OLC coffers, US\$60 million into the Ontario economy and 10 years of growth in a new industry." That is their final position under oath.

The next thing I would like to do--

Mr. Chairman: What was it you wanted to do next, Mr. Yemec?

Mr. Yemec: Next, I want to read the legal opinion of law, which is--

Mr. Chairman: How long is that?

Mr. Yemec: It is eight pages.

Mr. Chairman: Is it part of the brief?

Mr. Yemec: It is part of the brief. Mr. Outerbridge was supposed to be sitting on my left. Because of the short notice of this committee, because of the hopscotch you have given me, he had other commitments. I had two days' notice. He could not make it. I reserve the right to call him back to present a legal position for us at the time that I am sure you are going to allow this industry to present its case further.

Also, I have a document, which is a tome; it is our industry survey, which basically we conducted at great expense to us, canvassing all these people--

Interjection: Excuse me. Hansard will not be able to pick you up.

Mr. Yemec: Certainly.

We were uncertain if these complaints existed because we were never allowed to look at them; so we took a survey of the industry saying: "Maybe

there is a problem. Somebody is hiding something. Let us find out." We wrote to our customers in the United States and said: "Please, do you have any complaints? Are there any problems in the industry?" They wrote back in scads. We have tomes of these. We have one for each member.

Mr. Chairman: What we as a committee must decide now, because I am sure committee members do not want to shortchange Mr. Linden and Mr. McGregor, is whether we want to give Mr. Yemec a few more minutes to read the legal opinion into the record or whether you want to proceed with the presentations of Mr. Linden and Mr. McGregor.

Mr. Yemec: I will take questions, by the way. I would like to.

Mr. Chairman: Order, please. Mr. Stevenson.

Mr. Stevenson: First, I would like to comment on the situation referred to that Mr. Yemec made regarding Mr. Laughren and Mr. Decker. I understand your frustrations and anger in being a business person and seeing legislation in front of you that may well force you out of business. However, I think it is unfair that you put blame on these two people. They are in a difficult position, as are any committee chairman or any clerk, because they really are not in positions of making absolute decisions on behalf of the committee.

In the private sector, you have somewhat more freedom to make individual decisions and fortunately or unfortunately, as you may see it, government or committees associated with government work as a committee and try to come to agreements, compromises or whatever. Since Christmas, this committee was given the job of trying to get through the Ministry of Northern Development and Mines estimates and this bill, among many other things.

If you wish to check the record, you will find that the committee itself has been jerked around quite a bit since December and that indeed some of the problems associated in setting dates for you have just been an extension of the frustration of the committee trying to set dates for itself. I am not going to go into those reasons or anything; they are there on the Hansard of this committee and you may read them. I certainly am not saying anything out of line.

We do operate with a steering committee here and the steering committee, of which I am a member, tried to schedule the people we knew wanted to come in at the time, a week ago or so, within the time that we expected to be sitting here in the Legislature, and we gave some direction to the chairman and to Todd to try to allocate the bit of time that was allotted to us. That is the direction that Mr. Laughren and Mr. Decker was given. If they were unable to give you direct answers or if they seemed to be jerking you are any other telephone caller or anyone else that may have been in touch with them by one means or another, because of the nature of the system, they really are not in a position to give you a direct answer, unfortunately.

It is now up to this committee, as Mr. Laughren has directed, to see what we are going to do with not only the rest of the time for you but also the time for anyone else who might wish to appear and has not already been scheduled.

I think it is somewhat unfortunate. You may wish to attack the system, and you may wish to attack the committee in general--

Mr. Yemec: The stacked deck is what I am attacking.

Mr. Stevenson: I think it is quite unfortunate--

Mr. Yemec: It is always in the system.

Mr. Stevenson: --that the hostilities and quite frankly in some cases I think very justified frustrations and so on of various individuals have been directed so strongly against these two people. I think the record will show that over the time that this committee has been sitting, both of them have done an excellent job in their two positions and basically were carrying out the duties they have been given, and in circumstances like this they are extremely difficult duties to try to carry out.

By the way, Mr. Decker is not allowed to speak in committee to defend himself; that is one of the reasons I felt obligated to say that. I could have been very political and gone through a song and dance here and done something totally different than what I have just done, but I have chosen not to.

In my six years here as a member, I have never before been in a position of passing legislation to put somebody out of business and, probably more important than that, passing legislation that simply puts people out of jobs.

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I have a number of questions I would like to ask, and I am sure other committee people do as well. Somehow or other I feel we have some obligation to give Mr. Yemec some more time. I am not sure I would agree that he needs six hours, but at least I would like to give him a chance to have a fair hearing. If that means another half hour or hour or whatever it takes, then personally I am prepared to do that.

It does create some scheduling problems, and some others who may wish to appear will create further scheduling problems, but I think the situation is of enough importance that we should give them a hearing. Extending the time, of course, can be abused if the people involved see fit, and I would suggest to Mr. Yemec and others that they try to make their presentations as concise as possible and try to be fair on both sides.

For people who wish to be heard and who are not on the schedule, if the committee decides to hear them, I would hope that they would group their presentations in such a way as not to attempt to prolong whatever extended hearings there might be to an unreasonable time.

We are probably closing the House down next Thursday, and that creates a real scheduling problem for this committee and any attempt to try to extend these hearings, but I think the situation is of significant enough consequence that I would certainly suggest that we allocate some additional time to this bill.

Mr. Chairman: We must determine this afternoon's schedule and the point you raised. I must say that I am not going to respond to Mr. Yemec's letter other than to say that every single word of criticism that has been directed at Todd Decker should be directed at me. He answers to me, as committee chairman, and to the committee as a whole, of course, but more directly to me as chairman, and I accept every single action he has taken or word he has spoken. It is not appropriate to blame the troops; you blame the general, and I am prepared to accept that. I raised the matter in the Legislature this afternoon, and I will let it rest at that.

Mr. Rowe, did you wish to comment?

Mr. Rowe: Thank you, General Laughren, I appreciate the chance for a brief comment.

I simply want to support my colleague's position with respect to some arrangement for time. We are dealing in a situation here that I in my brief year and some months have not seen before. I am not sure; not being a long-standing veteran of the House such as you and my colleague are, I am not quite as long in the tooth--only in the length of time serving here, Mr. Chairman; I want to put that on the record.

I think we are dealing with a situation where it is legislation which if passed--there is no question--will put people out of work. That is an imperative position we are faced with: we have to deal with such legislation. In such as case, as much as possible, for the people who are going to have their livelihood ended as a result of this legislation, if that is the case, certainly we could find some time somewhere in the halls of justice to hear from them.

I understand Mr. Yemec's frustration and that of those who work for his organization. I refer to the letter of December 11, 1986, from the Minister of Tourism and Recreation (Mr. Eakins), of which there is a copy in the brief and which I read:

"Dear Mr. Yemec:

"I am replying to your recent letters.

"As you will be aware, Bill 115 has received second reading in the Legislature and was referred to committee for further discussion. This will give interested parties such as your organization an opportunity to present their submissions fully on the proposed legislation.

"I trust this clarifies the matter at hand.

"Yours very truly, John Eakins, Minister."

Given that sort of assurance from the minister and from the Legislature, I can understand the frustrations and possibly the feelings of the people who are gathered here this afternoon.

In summary, I simply support my colleague's position that the committee try to accommodate them as best we possibly can.

Mr. Chairman: I appreciate the remarks of Mr. Stevenson and Mr. Rowe as well. I have a suggestion for the committee. Scheduled before the committee for next Wednesday are Kenneth Cancellara, legal counsel to the Ontario Lottery Corp., to give a legal view, Mr. Parrott, legal counsel to the US postal inspection service branch, and Mr. Chalmers, postal inspector, United States Postal Service. You may recall that the committee agreed there would be presentations of that nature made to the committee.

Would the committee be prepared to try--I know those people will be mad at me for restricting their time--to restrict each of them to as brief a presentation as possible and to give Mr. Yemec another parcel of time that same afternoon--there is no other period of time between now and the time we adjourn--on the agreement that at the end of Wednesday before 6 p.m. the bill

then be reported back? Is that a compromise that is acceptable to the committee?

It gives the people who want to come before us from the Ontario Lottery Corp., the postal service and Mr. Yemec some more time to make a presentation.

Mr. Offer: Just as a point of clarification--I apologize, but I have to go in just a moment--what is the proposal for today and for the future?

Mr. Chairman: We still must hear from Mr. Linden and Mr. McGregor. I surely hope that we do not carry this debate much longer and that we hear from those two gentlemen. The suggestion has been made that they would like to give Mr. Yemec some more time.

Everyone understands our schedule. Next week there are four days. Thursday is probably out because it is the windup of the party leaders and the Premier (Mr. Peterson) in the Legislature, and Monday and Tuesday we deal with the Premier's estimates; so our time is extremely tight.

All I am suggesting is that a compromise be struck; namely, that we hear from the people who are scheduled for next week, squeeze them down a bit, give Mr. Yemec a little more time--I do not know how much, because an hour would be the absolute maximum--and then report the bill back to the House before six o'clock next Wednesday.

Mr. Reville: Under this proposal, would the bill be reported to the committee of the whole?

Mr. Chairman: The bill will be reported back to the House and it does with it as it sees fit.

Mr. McGuigan: I agree with the proposal. While I am speaking, I just want to point out, as Dr. Stevenson has, that the decisions here are the decisions of the complete committee, and I am sure I speak for everybody in saying we have confidence in the judgement of the chairman.

Mr. Stevenson: If these hearings do not terminate as of Wednesday, since I suspect the House leaders will allow the committee to sit on Thursday--two things can happen: either this bill dies on the order paper and, if they wish to proceed with it, it has to start all over again from scratch--

Mr. Chairman: Except by agreement.

Mr. Stevenson: Or it could, by agreement, as we did last year at the time we shut down, if I remember right, all bills on the order paper were kept alive into the next session.

Should the government wish to do that, we would be able to have another day or two at some other time to give people a little more time. It seems to me it would be fair if we could hear from at least one employee group. I do not know how that gets handled, because we do not want to hear every employee who is affected, but it seems at least fair that some spokespeople from the employees in question might be allocated some time at the decision of the committee.

Personally, I have trouble supporting the compromise position of next Wednesday night. If we had two or three more days, I would have no difficulty

with that. I am not asking that we extend this into two months of hearings, but I do feel that next Wednesday is a problem and I think there is a way around that by keeping the bill alive, if that is the decision of the government. It could be handled early in the next session. Quite frankly, I have some difficulty in terminating the hearings by next Wednesday night.

Mr. Rowe: Very briefly--I always seem to be following my colleague--I fully realize the restraints that you as chairman are placed under with respect to time. I realize the schedule that each of us as a member of the Legislature has to carry through in the course of a day.

I might remind the committee that we are elected by the people for the people and responsible to the people of this province, and I have a lot of problems saying we will try to find two or three hours or one hour or 45 minutes to give these people more time to bring forward their cases and their problems when one thinks that this legislation has far-reaching effects.

Mr. Chairman: What would you suggest?

Mr. Rowe: I am suggesting, with respect to my colleague's suggestions, that we find some time to accommodate them. If it has to run by next Wednesday, so be it. If it has to be carried over and brought forward to the next session, so be it. We are talking about jobs and as members of this committee we should keep that in mind at all times.

Mr. McGuigan: As far as the government is concerned, naturally, we are concerned about jobs, but the real issue here is the legality of this operation, and we want to hear the opinions of people who can guide us in this matter as to the legality of it. Certainly, we know that jobs are involved, and we do not have to have each one of the employees come forth and give his position. Perhaps one person could sum up the job situation and that would carry as much weight as a number of people. Each and every one of us here is fully conscious of the question of jobs. The government certainly wants to have this back to committee before we prorogue for the holiday.

Mr. Chairman: The chair is seeking some kind of motion to resolve this issue. I do not think we can talk about it all afternoon, because I think it is unfair to Mr. Linden and Mr. McGregor. The chair is looking for a motion from someone that will resolve this debate.

Mr. Hayes: I will make the motion, in the contents of your proposal of compromise on this issue.

Mr. Chairman: I do not want to put words in your mouth, Mr. Hayes, but the motion would be to have Mr. Yemec given more time next Wednesday and that the bill be reported back to the House before 6 p.m. next Wednesday.

Perhaps the clerk could read the motion.

Clerk of the Committee: Mr. Hayes has moved that the committee split the time available next Wednesday between the witnesses, as read by Mr. Laughren, and Mr. Yemec and that the bill be reported next Wednesday.

Mr. Yemec: Excuse me, may I have a moment here, since you are determining the future of all the people who--

Mr. Chairman: No. Just a minute. We are in the middle of a motion put by a member of the committee and the members of the committee may debate that motion. That is what we are dealing with right now.

Mr. Yemec: I would like to put it in perspective.

Mr. Chairman: No, Mr. Yemec, that is not what we are dealing with now. We are dealing with a motion by the committee and members of the committee may speak to that motion. I did not invent the parliamentary rules.

Mr. Yemec: I am just learning.

Mr. Chairman: Does anyone want to speak to the motion put by Mr. Hayes? It is open for debate.

Mr. Stevenson: Is Mr. Taylor substituted in this committee this afternoon?

Mr. Chairman: No. I think you would agree I do not try to be picky on these rules. There was a substitution made but it was way too late for it to be a legitimate substitute, to be fair.

Mr. Stevenson: We will be opposing this motion. It is unfair. I think it is quite clear that if we were not at this stage of the House sitting right now, this issue would be given another day or two, at least. Unfortunately, the schedule of the House is forcing the hand of this committee. It is a schedule that the government could change if it wished to. I am not going to take the time to go back over the arguments I made a few minutes ago, but we will not support the motion.

Mr. Chairman: Any other comments?

Mr. Hayes: I think Mr. McGuigan summed it up. The question right now is a legal question. I guess we have to get that particular interpretation. Also, I think we have to clarify one little point here. I would like to deal with this letter from Mr. Yemec, where it states the bill was being railroaded in the Legislature.

First, I cannot really agree with that for the simple reason that if the other two parties, the Liberal Party and the New Democratic Party, had not agreed to come and listen to your presentation in this committee right here, we would not be here today. It would be passed.

Mr. Yemec: May I respond to that?

Mr. Chairman: No, I am sorry. We are debating a motion put by a member of the committee. It cannot be debated by a deputant.

Mr. Yemec: I want to respond to it.

Mr. Chairman: No, I am sorry, Mr. Yemec. It cannot be debated by anyone other than members of the committee.

Mr. Yemec: It was railroaded.

Mr. Chairman: Mr. Yemec, you are out of order.

Mr. Reville: It strikes me that the committee's task is to decide whether, as a matter of public policy for a lot of reasons, offshore lottery sales are viewed as appropriate or inappropriate. The legal question is part of that. The jobs question is part of that.

It seems though that the issues can, indeed, be canvassed if on Wednesday we hear again from Mr. Yemec and listen to the legal opinions of the two other people who are before us, as well as Mr. Linden and Mr. McGregor today. I think the issue is considerably less complex in many ways than, say, the issue of separate school funding was. In those cases, each deputant got a half an hour or an hour. Mind you, we heard from a very large number of them.

I know many of the members of this committee have been involved in committees before where the government, in introducing a bill, brought forth their officials hour after hour. That is not unusual. When we did the rent review bill, we heard from a group of tenants for 20 minutes and we would hear for hours, days even, from the ministry officials. It is not an unusual process.

It is my view that the compromise suggested in the motion by Mr. Hayes is an appropriate one, that in fact the parties who need to be heard will indeed be heard if we follow that schedule, and that is why I am going to support Mr. Hayes's motion.

Mr. Chairman: Mr. Offer, be very brief because of the time, please.

1700

Mr. Offer: Indeed, I will be brief. On one hand, with respect to the compromise that you have set forth, I think it is extremely important that Mr. Yemec be given further time for us to discuss his particular brief, and that would be done on the following day, whatever that is; Wednesday afternoon. That is extremely important. It is also very important to hear from the two deputations that are scheduled for today, that I imagine and assume are here today. Accordingly, with respect to what Mr. McGuigan has already indicated, we will be supporting this particular matter and I hope we will get on with the two very important presentations, which I believe are coming up and also once more be able to question Mr. Yemec on his very able presentation today.

Mr. Rowe: Very briefly, I just appeal to the committee members, considering what has been said with respect to legal opinions, and that is very important, but I am sure we will hear, as we have heard today, legal opinions on Wednesday that will be quite opposite to what we might have heard today with respect to postal regulations or any other regulations.

All said aside, I say to all members that we have a job here in ensuring fairness to all. I simply remind you of those employees, the people who are relying on this industry for a livelihood and jobs. I wonder if we would not spend more than one or two hours debating our own situation if our own jobs were on the line.

Mr. Chairman: Is the committee ready for the question?

You have heard the motion by Mr. Hayes. Do you want it read again? Eligible to vote are Mr. Hayes, Mr. Reville, Mr. Offer, Mr. McGuigan, Mr. Stevenson and Mr. Rowe.

All those in favour of the motion, please indicate? Opposed?

Motion agreed to.

Mr. Chairman: We will schedule a time and phone you, Mr. Yemec, about the time for Wednesday afternoon.

Mr. Yemec: I have a question. We have had difficulty getting the people who want to appear on this committee. These are the people who want to appear next Wednesday and who still have not had an opportunity to appear. To whom would they make their deputations? I want to make sure these deputations are recorded and that these people get a fair chance. I have supplier groups and member associations--

Mr. Chairman: I am just anxious about you cutting into Mr. Linden's and Mr. McGregor's time.

Mr. Yemec: That is quite all right.

Mr. Chairman: It is all right for you, but it may not be all right for them.

Mr. Yemec: I am being cut off again.

Mr. Chairman: Next Wednesday, we have roughly two and a half hours. Is it acceptable to the committee that there be half an hour for each of the people who are scheduled to appear next week, the ones I named before? That would be an hour and a half. That would leave roughly an hour for Mr. Yemec to arrange, as a representative of the umbrella group, how to split up that hour between yourself, employees or whatever. I do not think we want to interfere with who you want to have appear in that hour.

Mr. Yemec: Just to make a point, some of these people are not within my purview or my umbrella. They are people from the public at large. They are suppliers and people who have not had a chance and they are very frustrated because they have gone to the committee through the appropriate channels and have been completely ignored. They are not under my umbrella. There are 500 jobs out there that depend on our industry. I cannot speak on their behalf.

I can certainly direct them to whom they have to speak. This committee hearing was called on very short notice. As a matter of fact, no public announcements were made. The first time these people actually heard of the fact that this bill was being debated in this committee was through CITY-TV coverage and they phoned me trying desperately to find out who they have to talk to. The suppliers--

Mr. Chairman: Mr. Yemec, you are not helping your cause. May I suggest that for the people who want to make a presentation within that hour we will allocate to you next Wednesday, that be done through Mr. Decker.

Mr. Yemec: I will communicate with Mr. Decker.

Mr. Chairman: All right. The next deputation is from Mr. Harold Linden. Is Mr. Linden in the room? Oh, that is you. You were here all along.

Mr. Linden: Yes, Mr. Chairman.

Mr. Chairman: Where is Mr. McGregor?

Mr. McGregor: Right here, sir.

Mr. Chairman: Okay. We will now hear from Mr. Linden, who has been at the table with Mr. Yemec all along and I did not know it. Mr. Linden, the floor is yours.

By the way, we must adjourn by six. That is when the House adjourns. We cannot run past six o'clock.

AIMES COMMUNICATIONS INC.

Mr. Linden: I was advised last night at 4:38 p.m. that I would be able to make some form of presentation to this committee today.

Mr. Chairman: Very good.

Mr. Linden: I believe Mr. Offer advised Mr. Decker last Thursday and requested that he contact me. It was only after I had contacted Mr. Offer on a number of occasions to indicate that I had still not been contacted that I was forced to forward a telex to Mr. Decker. Possibly as a result of that, he called me last night.

Mr. Chairman: By way of explanation to the committee members, we were attempting to have an hour for Mr. Yemec and an hour for Winshare Club of Canada, but Winshare is not appearing. Anyway, go ahead. I do not want to use up your valuable time by giving you my views.

Mr. Linden: Quite frankly, 24 hours is not really an adequate time to prepare for the purposes of making a reasonable submission to this committee with respect to a subsidiary industry that I represent and in terms of the company that I represent.

My remarks will basically refer to what I see as the effect upon my company and my employees, and some other comments with respect to some of the matters you have heard here today and possibly on an earlier occasion. I certainly will not take up the total half-hour. I indicate to you that the reason is that I was contacted only last night.

If the members of the committee had questions for Mr. Yemec, in order to keep the context, I would be quite content if they could possibly put them to him, so we are not breaking this up and today we hear part of it, next week we hear another part of it and possibly in the next session we have to hear some other part of it. I believe I could make my submissions within 15 minutes.

I would indicate to the committee that I made attempts to contact the company that for all intents and purposes this legislation and any comments made by the Ontario Lottery Corp. to the media are aimed at putting out of business. That company has advised me that it has not as yet received an invitation from this committee to appear, although it is quite evident from any literature I have seen in terms of the compendium that accompanied the announcement of this bill in the House that a company by the name of Winshare, whose business is really the one that is at the core of this examination, should have been given an opportunity to appear. Whether this committee will see fit to do that--

Mr. Chairman: It was invited.

Mr. Linden: Formally?

Mr. Chairman: Yes. Carry on.

Mr. Linden: Perhaps Mr. Yemec wishes to take questions now or in a few moments. In any event, I appear on behalf of a company of which I am the principal officer, which publishes consumer magazines. One of them has been in

existence for approximately eight years. It is known as Lottery and Gaming Review. It is published simultaneously in Canada and the United States. From what we can gather, it is the oldest consumer publication dealing with lotteries. In an average year, we deliver more than three million copies of this publication, mostly to United States households.

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The publication contains general lottery information that consumers might wish to be aware of, as well as advertisements from Canadian distributors of government-conducted lottery tickets, US distributors of government-conducted US lottery tickets, European distributors of government-conducted European lotteries and so on. In addition, the company in some respects acts as a consultant and information clearing house to a number of these distributors. It is a member of the Canadian Direct Marketing Association and the Direct Mail/Marketing Association of the United States.

The solicitations and advertisements that this committee has been asked to ban from the mails of Canada for purposes of distribution into the United States are the very same materials that this publication regularly distributes on a monthly basis to more than 100,000 US households. At no time have the US postal authorities prohibited that publication access to US mails in any way, shape or form.

Bill 115 will seriously undermine the advertising revenues from our mainly Canadian advertisers and subject the publication--and if I read Bill 115 correctly, its officers--to possible prosecution under the bill itself, but not in the United States, only in this jurisdiction, which I might add is the only jurisdiction in the world that I am aware of that has even had a conception that this type of legislation is necessary.

The legislation will prohibit Canadian advertisers from selling Canadian lottery products to Americans, but it will permit American lottery ticket distributors, European lottery ticket distributors, Australian lottery ticket distributors and German lottery distributors to sell their tickets in this province without any possibility of prosecution, certainly not from Bill 115. To me, that just does not make any sense.

If you want to give away \$50 million or \$60 million, surely there must be some substantial reason. The possibility of prosecution for publishing this type of advertising will surely have an effect if there are no advertising revenues and surely will require me to reconsider the number and who of the 15 and sometimes 16 employees we have will invariably have to be let go. I can think of a couple of states in the United States where it might be extremely important--the residents of the state of Nevada, for instance, and the residents of Atlantic City, New Jersey. This bill will certainly protect those people from the evil influence of gambling that is brought about by purchasing Ontario lottery tickets. It does not make any sense.

We will not be able to sell ours down there, where we are highly competitive, because we have a product that the mail order industry markets in a positive manner. We will not be able to do that, but we will be permitted to buy their products.

The Ontario Lottery Corp. has indicated repeatedly that the real question here is the integrity of the Ontario Lottery Corp. That goes without saying for any lottery. I think that goes without saying for any person. It relies upon these alleged complaints--and I know you have heard it time and time again--"Complaints, complaints, complaints."

Some time ago, the OLC made a statement and released it to the United States Postal Service, to the Associated Press and to whoever else would listen that it had received in excess of 8,000 complaints against the mail order industry in 1984. The minister, in his most recent press release introducing this piece of legislation, said he had received thousands. In two cases that were brought in the Supreme Court of Ontario, the Ontario Lottery Corp. reiterated that position of thousands of complaints.

There is some evidence that is just not so, and Mr. Yemec has referred to it in the cross-examination of Mr. Holroyde. In today's Toronto Star, we find out that a spokesperson for the Ontario Lottery Corp. says it has received only 300 complaints. Now 300 unsubstantiated complaints out of millions of transactions is no reason for this bill, nor is it any reason to suspect the integrity of the Ontario Lottery Corp. except in one instance. The Ontario Lottery Corp. has continued to promote the fiction that these thousands of complaints, which all of a sudden have shrunk to maybe 300 or maybe 150, are the root of the evil that you are asked to address. It is obvious now that the question of the complaints is just a red herring. It means nothing.

What we are really talking here is economics. We are talking about making the United States lotteries look good on their balance sheets to the detriment of our lotteries and the people who are employed in this province in the mail order business or in the telemarketing business.

The OLC suggests that it belongs to, and it does, the International Association of Lotteries. It has a code of conduct that says: "None of us will touch your stuff. We will stay within our own bounds." That may be what it says on paper and what it says for the media, but that is just not fact. As a matter of fact, in the past month I have received approximately nine different solicitations from national lotteries in Belgium, Australia, Germany and so on. These national lotteries are also members of that same international trade association.

It is worthy of note that the Belgian national lottery does a very strange thing. If you send it your money to enter that national lottery, which it invited me to do, it does not mail mail the tickets to you. It keeps the tickets in its possession, and it sends you a certificate of purchase, and I might add it is nothing more than a confirmation. That apparently is frowned on as being a way to get around the law by the lottery ticket distributors in this province. There must be something to it. The Belgian national lottery has been in business an awful lot longer than Mr. Yemec or any of his organizations.

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There is another organization that the Ontario Lottery Corp. belongs to called the National Association of State Lotteries and, more recently, Provincial Lotteries. That is similar to the International Association of Lotteries, except it has two distinctions, one of them being that it is comprised of lottery corporations from states and provinces of North America, and instead of getting one fantastic vacation a year, if you belong to that, you get four.

The present president of NASL is none other than the chairman of the British Columbia Lottery Corp., and in British Columbia is situated the largest mail order industry in North America. The state of New York belongs to the NASL, the state of Michigan belongs to the NASL and the state of New

Hampshire belongs to the NASL. When some waves were made about Canadians taking revenues away from the American lotteries, the then-president of the National Association of State and Provincial Lotteries was quoted as saying, "The postal authority's actions are incomprehensible to the six lotteries in question because of a previous court case on the same issue."

Then the same lotteries wrote to all their subscribers here in Canada and throughout the United States and indicated as follows in reference to the postal service position: "We feel it is an infringement of the rights of individuals and sovereign states"--and that is small-s--"to use the mails for legitimate business purposes." That is coming from the director of the New York State Lottery, the director of the Maryland State Lottery and the director of the State of Michigan Lottery.

The Americans themselves do not want to know about this. Why are we concerned about it? They are concerned only about balance sheets. The police authorities here are not worried about. The only one worried about it is the Ontario Lottery Corp. because it does not know how to deal with 300 pieces of mail that it does not even know how to classify as to whether they are complaints or not. That is the issue here or that would appear to be the issue here. That is why Bill 115 makes no sense.

British Columbia is paying off the Expo debt with it. What is Ontario doing with only 10 per cent of the mail order business? They are going to give it back to them. This is the one economic advantage we have over the Americans that seems inviolate. We are not dealing with shakes and shingles, we are not dealing with steel and we are not dealing with anything else. This committee is charged with determining whether these reasons are sufficient to put numerous people out of work and shut down an industry that has done absolutely no harm whatsoever to this province.

Finally, to bring it back into the perspective of the people on whose behalf I am here, my employees, it is worthy to note that the Ontario Lottery Corp., under its letterhead dated November 26, 1986, has advised my publication--and up to that point we were on their interdict list because we have these terrible advertisements--that because of our August and September issues not containing any advertisements for Canadian companies, it is going to start sending us, or did send us, some material.

What they did not say in the letter was--if they read the magazine, they would have seen it--that it was full of American ads for American lotteries directed at Canadians. It does not make any sense to anyone. I really cannot believe it is the position of this government that it would institute this type of legislation for no reason. Those are my submissions.

Mr. Chairman: Thank you, Mr. Linden. I think we should move to Mr. McGregor and if there is an opportunity, if Mr. McGregor does not take the full half hour, we could have questions of any of the three gentlemen. Would that be appropriate for members of the committee? I do not want to cut Mr. McGregor short.

Mr. Stevenson: I will agree with that. Even though I was a member of the steering committee that helped set this schedule, I am finding it extremely frustrating to sit here and to listen to these presentations and then not have any opportunity whatsoever to ask questions on an issue that is as large as this. I think it is extremely unfortunate that we have been backed into this corner.

Mr. Chairman: Could we have Mr. McGregor come to the table please? I wonder whether you could tell us, Mr. McGregor--I am a little confused--whether or not there is any kind of link between the organizations represented here. What I am confused about is that I hear names such as the Canadian Express Club and the Ontario Ticket Purchase Services Association. I am confused about how these are connected or whether, indeed, they are. Could you help us out on that?

Mr. McGregor: I will try to do the best I can. My name is Don McGregor. I am the president of Dataprep Canada, which is a data processing company in Mississauga. I have no relationship to these gentlemen other than a business arrangement; I process information for them. That is the extent of it. They are a business. I am a business. I offer computer services and time-sharing and subsequently these are my clients.

Personally, I understand that the standard procedure normally permits one who is presenting or making an address to the committee to prepare a brief, distribute the same to the committee and then make a verbal presentation to highlight and address the important articles and issues that a particular company or firm wishes to make. Unfortunately, I have not had the opportunity, if I may call it that, to do that at this point in time.

A phone call was made to my office after four o'clock yesterday. I was not there. When I returned to my office later in the evening and found the message on my desk, I made a call to Mr. Decker, who of course was not around at that time, after six. I subsequently called again this morning and received confirmation that I was to be here at five o'clock this evening.

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Subsequently, I tried to contact my legal adviser and I did not make contact with him at all today. He was not available. Subsequently, I was not able to prepare a brief to this committee that was going to be substantiated by facts and figures.

I have one figure in front of me and it is a hell of a big one. It happens to be \$1 million. That is approximately what I have invested in a company out in Streetsville to service the needs of the data processing industry in that area. The people I employ are high-tech people. There happen to be 10 of us. Personally, I have 20 years of experience in data processing. My whole staff has 78 years of experience in total--that was the last inventory back last September--and 33 of that happened to be in the type of hardware that I have.

The full impact on this industry happens to bear down on me very much because my company services a particular client out there as a business arrangement and if he is put out of business, so am I. I have a major concern about that, not only \$1 million, I also have seven children; one more is on the way. I am a young businessman trying to make a living in this world. My whole office will be affected, not just me.

I respectfully request of the committee that I be allowed the opportunity to prepare a brief, to present it to you, and subsequently to appear before you again to highlight my issues and to be able to give you more facts on my area. I respectfully step down to the other gentleman at this time.

Mr. Chairman: Thank you, Mr. McGregor. Are there any questions by members of the committee?

Mr. Stevenson: Very quickly, I will try to go through a few, principally to Mr. Yemec, but anybody who wishes to comment on any of these, please do. How many mail order ticket agencies do you believe to be presently operating in Ontario?

Mr. Yemec: About a year ago, there were close to 20 companies operating in Ontario, and a lot of them have been operating here for some years. With the heat put on by Bill 115 and with the inability of the companies to get a hearing or to even get a meeting with the minister, the companies basically got very afraid for their livelihood.

People took their families, uprooted them, closed down shop and went to British Columbia; the small ones especially, because they could not afford to do what I, being a larger company, am doing here. I also have a larger stake in Ontario. I have spent a lot of money here. I have developed a whole host of companies with systems and backup situations, so it would be very difficult for me to uproot my 350 employees overnight and go to BC. I have decided to stay, basically because I felt the legislation was unfair and I felt I would get my time in court.

Of those 20 companies, most of them have relocated in British Columbia and western Canada. We are left now with basically six service companies in Ontario; three majors and the three member associate services. There are other people in Ontario who still operate independently and who are not under our umbrella, but they are quite concerned and they are probably ready to do whatever has to be done when the axe falls or does not fall. That is to answer your question.

With respect to the companies I represent, we estimate the gross volume of our sales in Ontario this year will be over US\$60 million and we collectively employ over 500 people and have services such as Mr. McGregor's and the other suppliers who have not had a chance to appear before this committee. They depend on us for their livelihood.

I will give you a little bit of history. In 1980 and 1981 we had two postal strikes and then we had a severe increase in the postal rate of about 104 per cent. Several printing companies went bankrupt because we could not address ourselves to that significant an increase in the postal rates; so there are companies that depend on us. If anything happens, they will be out of work and people will be unemployed. That is the answer to your question.

Mr. Stevenson: Of the groups left operating in Ontario, are all of them members of your association?

Mr. Yemec: Not all of them. No.

Mr. Stevenson: The big ones are?

Mr. Yemec: Yes, the big ones are, representing probably 80 per cent of the volume.

Mr. Stevenson: Has your organization attempted any sort of self-policing activity?

Mr. Yemec: Absolutely. First, we do not have any need for it. To the best of our knowledge, we have a clean bill of health with all the authorities. Whenever a problem comes to us from whatever organization, member or not a member, we take care of that problem, and there are very few. We have

established a fund for any and every eventuality wherever there is a problem with any consumer anywhere. We have kept to that commitment. I, personally, will supervise anything that may or may not be serious, but basically, we have a clean bill of health. Ask anybody, and this is what the whole situation is about.

If you phone the Better Business Bureau--they are probably the best barometer of any consumer organization around--it will tell you that over the years we have had very few complaints and we satisfy all of them. Basically, we have the normal complaints that are associated with any mail delivery, but we handle them all.

Mr. Stevenson: Possibly it is not quite fair, but in the last couple of years you or your competitors have not done anything that has embarrassed you, as a leader in the industry, or has caused trouble to you, your company or your industry as far as you are concerned?

Mr. Yemec: No. We have not done anything, but there have been things done to us to suggest that there has been a problem. I refer to the Chubby Gallagher incident, which is the main thing people remember, about the man who did not get his winning ticket from Canada. That was perpetrated and fuelled by the Ontario Lottery Corp. at that moment as, "Yes, these people are basically illegal fly-by-night operations and that could happen to you too."

When it was properly investigated--and all the authorities in Ontario investigated; the Ontario Provincial Police, the Peel Regional police, the Ministry of Consumer and Commercial Relations people--they found the fact that the person had called and the ticket he wished to play could not be bought that week. No money exchanged hands. There was no wrongdoing whatsoever, but that was never reported back to the press. That fuelled a whole host of other innuendoes and suggestions that the Ontario Lottery Corp. released to the press that would cast a black cloak on our industry.

We have no problems, but we have been under the image of problems as a result of information that has been released to the detriment of our industry. If you study the records and the complaints--and we have asked for them--substantially, any of them, no, we have no problems.

Mr. Stevenson: If this bill passes and if you so choose, can you pick up your company and move it to Buffalo or Detroit?

Mr. Yemec: No, I cannot, because we are too large.

Mr. Stevenson: But a company could conceivably move a few miles across the border, buy the tickets as they are now and continue to operate.

Mr. Yemec: Yes. Absolutely.

There are several American companies now which advertise that they will sell Canadian lottery tickets from the United States to Americans. There are several companies doing that. The reason is that the Canadian lottery ticket in the international marketplace, unlike the Canadian dollar, is a highly valued item. Every lottery consumer understands that the best deal in the lottery world in North America is the Canadian ticket and he will go to great lengths to get that ticket. So the American service companies which sell tickets to Americans interstate, now have to put the Canadian lottery ticket as one of their tickets that they will purchase, and they are situated in Buffalo. They buy Canadian tickets in Toronto and do whatever they have to in supplying to Americans.

In real terms, we are going to outlaw the industry in Ontario while the people in Buffalo will set up corresponding businesses and will continue to buy the Canadian product. It is pretty difficult to stop the purchase of a product like a lottery ticket. It is insane to try it and there is no reason for it. But to answer your question, yes, they could move into Buffalo or anywhere else. They are doing it now.

Mr. Stevenson: Would you support legislation to regulate your industry?

Mr. Yemec: I would support any situation to allow me an opportunity to negotiate on behalf of my employees and my people. I would support any situation that makes sense between reasonable men who understand the situation completely. I would support any position that would allow me to continue business in Ontario for the benefit of Ontario, for the benefit of our economy and to make sure that we are competitive in the international marketplace, which we are. I would support any situation to continue our being the vanguard of this new industry that is only 10 years old. We have a significant advantage, in Canadian terms, of being able to be proud of that vanguard.

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Mr. Stevenson: I have many more questions but I will stop at one more, in fairness to other members of the committee. Are you aware of any such legislation in other jurisdictions regulating mail order type companies?

Mr. Yemec: No, to the best of my knowledge, at present, Ontario is trying, in typical Canadian fashion, to shoot off its third foot that it has grown, that is making money. It does not know what it is. We are the first jurisdiction to try to put in a regulation as severe as this, or even any regulation similar to this.

In the US, the contrary is happening. As of last July, there were seven lobbies in front of Capitol Hill to change the postal regulation to allow greater interstate commerce for lottery tickets. At present, I think there are three jurisdictions actually fighting the US post office on every front which would prohibit them from continuing to do what they are now doing.

Mr. Stevenson: One more brief question. We have seen American retaliation in one form or another in a lot of industries and Ontario and Canada are quite hyper about that sort of thing right now. Are you aware of any move by the Americans to make their lotteries far more appealing to Ontario and Canadians to try to retaliate in the Canadian market?

Mr. Yemec: Absolutely. The Americans have banded together and are forming an American Dream lottery that is scheduled to be released in October 1987, at which time they have projected jackpots of \$50 million a week, and the lottery is patterned directly after Lotto 6/49 to become a direct competitor of Lotto 6/49.

Mr. Stevenson: If we pass this legislation, is there any indication that will stop that coming into Canada, that we would end the possible retaliation?

Mr. Yemec: No. What you would end is our ability to compete in that environment. There is no restriction on any Americans to sell lottery tickets in Canada. When they have \$50-million jackpots, they will sell tickets here. With Bill 115, we will not be able to sell back. That is as simple as I can put it.

Mr. Chairman: Mr. Stevenson, we have a number of members who wish to ask questions.

Mr. Offer: I will be brief. I have some other questions to ask. It has been indicated that I was one of the members who did come to your particular place of sale. Do you advertise your services?

Mr. Yemec: Different companies take different positions on advertising and have different needs. Our particular companies do two campaigns, some mail order, some telephone order, and some word-of-mouth activity. Word of mouth is our best product.

Mr. Offer: Do you advertise in any periodicals?

Mr. Yemec: I do not, no.

Mr. Offer: Do you have any publication of any nature that indicates that CEC is in existence?

Mr. Yemec: We have our Lottery Guide, which we publish periodically. Even in there, I do not think we are mentioned.

Mr. Offer: With respect to that particular publication, whatever it is, is it indicated that the funds are Canadian funds?

Mr. Yemec: What funds are Canadian funds?

Mr. Offer: The winnings.

Mr. Yemec: I assume that every American knows that if you play a Canadian lottery, you win Canadian dollars. We convert it into US dollars and send the US equivalent.

Mr. Offer: I understand, having gone there, that basically there are people who--

Mr. Yemec: Who do not understand the fact that if you play in Canada you get paid off in Canadian dollars?

Mr. Offer: No, that there are people who telephone or contact US residents and indicate there are X amount of winnings, maybe \$10,000 or \$100,000.

Mr. Yemec: In a Canadian lottery?

Mr. Offer: Yes. Do they indicate that is in Canadian funds?

Mr. Yemec: They do not indicate in Canadian funds. They have no need to at this stage. We have never had any complaints to the contrary.

Mr. Offer: In any of your publications, do you indicate that the funds are tax-free.

Mr. Yemec: We indicate that the funds are tax-free in Canada. We indicate that we charge US dollars. We indicate it is a Canadian lottery and you win Canadian money. We also indicate that as a service organization we will transfer that money into US funds. We have found from vast experience

that if you send Americans a Canadian cheque, they look at it very much like a Canadian nickel. They do not know what to do with it in most banking situations and the cheques come back invariably, saying, "I cannot cash this; it is funny money." What we do is we change it into the equivalent American dollars, have a US chequing account and send the equivalent in US dollars. They completely understand that. It is part of the service.

Mr. Offer: It is indicated that it is tax-free?

Mr. Yemec: It is tax-free in Canada. It is up to them to do whatever they wish with it in United States terms. We have in the past set up bank accounts for people who wish to bank in Canada and things of this nature. It is a full service organization.

Mr. Offer: I am sorry.

Mr. Yemec: It is good to give myself a pitch. Sometimes I forget.

Mr. Offer: If a US resident wins one of the Ontario lotteries after purchasing a ticket, are you aware whether he has to pay taxes?

Mr. Yemec: Of course he has to pay taxes. All gamblings are taxed in the United States. That is one of the advantages of Canadian lotteries. That is our advantage. It is tax-free. As a matter of fact, in terms of gambling, if you go to the United States and win something at the races, they take the money at the windows, 300 to one. That is why our lotteries are the best lotteries in the world. That is why we are proud of our lotteries. That is why we promote them internationally. That is why they are good value and that is why the business is so successful. That is why it should continue to be so successful.

Mr. Offer: You contact US residents and somehow they purchase tickets. Do you send them a ticket?

Mr. Yemec: Sometimes we send them a ticket and sometimes we send them a confirmation. It is fully explained to them. They have the option of several different ways of participating. In most cases, the way the Americans like to do it now is basically they will phone us, give us their ticket number to be played for whatever period of time and we enter it in our computer system. We will play the ticket, give them a confirmation of the ticket, the record of the confirmation, and then we commit to play their tickets for as many weeks as they want. At the end of the period, we will pay them their winnings, or during the period if they win a large prize, we will pay them their winnings.

That is basically the service. It is just like a stockbroker who buys stock. When the stock goes up, he declares you a dividend and sends you a cheque. It is the same difference. They charge a service charge as well.

Mr. Offer: You purchase the ticket for the US resident?

Mr. Yemec: Yes.

Mr. Offer: Then you check to make sure whether that particular ticket won?

Mr. Yemec: Yes. In some cases, it is checked immediately; in some cases, it is checked at the end of the subscription period; and in some cases,

it is checked when the person informs us. There are several different ways of doing it, depending on the program. When a person has a winning and he has indicated to us whatever it is, we send a cheque accordingly.

Mr. Offer: For every ticket that is purchased--and I think you indicated something in the vicinity of 20 million on an annual basis--

Mr. Yemec: About \$40 million worth of tickets are purchased.

Mr. Offer: --you check for and on behalf of every person whether he has won and inform him that he has won?

Mr. Yemec: Pretty well.

Mr. Offer: Pretty well? Do you or do you not?

Mr. Yemec: In some cases, when they have the ticket themselves, I cannot check the ticket, but in the cases where we keep the tickets, we do the checking.

I do not know what you are driving at, but if you come out and say it, maybe I can answer your question.

Mr. Linden: The distinction is there are a few kinds of tickets. The one most of you are familiar with is the Lotto 6/49. If the company is sending out a confirmation--and usually it is computer-generated--as soon as the drawing is made by Fanny LeMesurier from Montreal Trust, these companies will run their system and it will automatically spit out a list of the winning tickets and their customers that have them. That becomes an automatic process and at the end of the cycle--it could be a month, two weeks, whatever--that customer is automatically notified that he has won.

If one buys Wintario, which very few people do these days, in the case of Mr. Yemec, that ticket is sent to the customer. He has to wait until Mr. Yemec sends him at the end of the month, as most companies do, lists of winning numbers. A person takes it, as most people do, and checks it. It is as simple as that.

Mr. Offer: You never have on hand the purchase of tickets that may be \$10 winners of which a US resident has not been informed specifically that he is a winner? I am not talking about their being confirmation, but rather he has been informed that he is a winner.

1750

Mr. Yemec: On hand? He is informed. What time is the issue? Immediately?

Mr. Offer: No, that is not the issue. I want to be very clear in my mind on this. You have purchased tickets for US residents. You have the tickets on hand. Those particular tickets may or may not be winners. I am specifically concerned with those who are \$10 winners.

Mr. Yemec: If he is a winner, the customer is notified.

Mr. Offer: You inform that person that he has won \$10?

Mr. Yemec: Yes.

Mr. Offer: You are one of the big companies in this area. What if that person in whatever state does not claim the ticket?

Mr. Yemec: We send him a notification, "You have not claimed your ticket."

Mr. Offer: What happens at the end of the cycle?

Mr. Yemec: We send him another notification, "You have not claimed your ticket." Then we file it as an unclaimed ticket.

Mr. Offer: But you notify every person?

Mr. Yemec: Yes.

Mr. Chairman: I am confused by that comment. I know when I was down at the offices, I was told that not all people were notified and that some tickets were unclaimed. Correct me if my memory is wrong.

Mr. Yemec: Normally, the factor of unclaimed tickets is four per cent. People die or move and we cannot find them. In the period of subscription, it ends up being an unclaimed prize. It is very small. First of all, they have to win. The odds are 13 million to one. Eventually, it boils down to the fact that if you cannot find somebody, what do you do with it? You have the ticket. What do you do? The person has moved or he is dead.

Mr. Linden: May I make one comment with respect to that? The Ontario Lottery Corp. has the very same problem with that. It has millions of dollars in unclaimed prize money.

Mr. Yemec: You should ask them how much money there is in unclaimed tickets.

Mr. Linden: One of the problems with this bill is that all the regulations that are now in existence will be repealed. In my opinion, it is going to be very difficult to determine just what is unclaimed prize winnings that they have from their own Ontario Lottery Corp. products and from the Interprovincial Lottery Corp., of which I do not think this committee or anybody in this government has a right to ask all those questions. They have millions of dollars in unclaimed prize moneys. Mr. Yemec, I am sure, does not have millions.

Mr. Rowe: Mr. Yemec, other than Ontario lotteries, how many other lotteries are sold in Ontario, meaning out-of-province or out-of-country lotteries?

Mr. Yemec: I can pick up the phone for you right now and buy lotteries from 19 different states. I can buy lotteries from four states in Australia, I can buy German lotteries, I can buy Belgian lotteries, I can buy Netherlands lotteries, I can buy French lotteries, I can buy Maltese lotteries, I can buy lotteries from Gibraltar and I can buy British soccer pools. These things are sent through mail order.

One of the first interviews I had was in 1978. One of the radio stations out west phoned me and said: "Mr. Yemec, you wrote the whole lottery guide. We

have a problem, an influx of German lotteries in British Columbia. What is happening?" I said, "The German government authorizes international lottery sales. It is one of its thrusts. They have agents who do that and it is perfectly legal. The government endorses it and they are members of the same association."

Similarly, in Mississauga about four years ago, they were in a big marketing position and mailed hundreds of thousands of pieces. The British soccer pools market here traditionally. The Irish sweepstakes used to be a big problem. Do not forget, one of the reasons we started this whole lottery business in Ontario was to protect ourselves against the lotteries. That was the fundamental reason we started. With Bill 115, we will not be able to protect ourselves because we will not be able to respond in kind.

Mr. Rowe: Have the Ontario Lottery Corp. officials or any other officials from the government, possibly the Ministry of Tourism and Recreation, anybody at all involved in representing the government, visited your premises or any other premises of members of the Ontario Ticket Purchase Services Association prior to or after Bill 115 was introduced?

Mr. Yemec: No. It has been a bone of contention on my part. I have been trying desperately to show people we are a viable, living service industry. We are a large industry. We have large offices, we have very impressive offices and we have larger computer banks. In my computer bank alone, I store the names of 2.5 million happy American consumers. To me, it is one of the greatest resources this province has ever built in terms of penetrating the American market. Collectively, there are five million US residents who respond positively to something in Ontario. You could not buy that anywhere. It is a resource you cannot put a value on if it was ever turned to properly or positively promoting some other programs.

I have mentioned to the Minister of Tourism and Recreation: "Your mandate is to improve tourism in this province. I have the names of five million American consumers who constantly look to Ontario for something, for their rewards here." This is the dreamland. We have the best lotteries in the world. "I am going to win my million and move to Canada" is the basic dream, and that is the dream we reinforce. I have asked the Minister of Tourism and Recreation, "Would you like me to work with you in some fashion to enhance the image for the benefit of both of us."

I am a direct marketing specialist. That is my living and my expertise. In real terms, in direct marketing terms, if I put one little flyer into our basic newsletter, a communication with our customers saying, "Come to Ontario, come visit the seven wonders of Ontario, Niagara Falls, the CN Tower," whatever they may be, I could get 100,000 American tourists here in 1987. I could guarantee 100,000 American tourists. I may fall short by 10 per cent. That represents an increment to Ontario of over \$100 million in tourist dollars. The minister would not even talk to me about the possibilities of this resource we have developed, perfectly legally, over the past 10 years.

That is basically the position. I forget the question you asked.

Mr. Rowe: With respect to winning tickets that might have been purchased here by US citizens--we have talked about their winnings--do you have any handle on the amount that might have been banked here or left here because of the huge income tax bite in the US?

Mr. Yemec: I really do not know what the handle would be on that. It could be a couple million.

Mr. Rowe: Very quickly as a final question, what do you see as a solution to the problem at hand? In other words, if the bill does not solve anything and, moreover, creates more of a problem for you people, yet the lottery corporation and the government obviously think it is going to solve their problems, what are you suggesting to this committee can be done to solve the problem?

Mr. Yemec: I am suggesting this committee be fair, equitable and reasonable in understanding that there is a significant resource here for Ontario. I am suggesting the committee talk to the industry in real democratic terms, that it understand the industry and come to some mutual benefit for Ontario.

The best benefit for me as a businessman is to return to the status quo because there is not a problem. If you can prove to me there is a problem, by all means, I will then help you solve it; but if we can return to the status quo, I can continue to create jobs, bring in US money and do all those things this government claims it wants to do every day of the week in the House. I am doing that. Please allow me to continue.

If you do not want to, fine; I will do it in partnership with whomever you want to nominate to be my partner. I will do it in desperation, unwillingly or willingly; it does not really matter. I will talk to anybody. I will negotiate with anybody. We represent a significant resource for this province. Bill 115 will wipe out the resource and, conversely, will make us victims of the reverse of the process, which means money going out, and it is now going.

Mr. Chairman: Thank you, Mr. Yemec, Mr. Linden and Mr. McGregor, for your appearance before the committee this afternoon. This committee will meet again on Monday afternoon, with the Premier (Mr. Peterson) in attendance, to deal with the estimates of the Ministry of Northern Development and Mines.

I am sure we will see Mr. Yemec again next Wednesday afternoon. We will try to schedule him for 3:30 p.m., the first thing up that afternoon.

The committee adjourned at 5:59 p.m.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT
ONTARIO LOTTERY CORPORATION AMENDMENT ACT
WEDNESDAY, FEBRUARY 11, 1987



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Reville, D. (Riverdale NDP)

Bernier, L. (Kenora PC)

Caplan, E. (Orlisle L)

Gordon, J. K. (Sudbury PC)

McGuigan, J. F. (Kent-Elgin L)

Morin-Strom, K. (Sault Ste. Marie NDP)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

South, L. (Frontenac-Addington L)

Stevenson, K. R. (Durham-York PC)

Substitutions:

Rowe, W. E. (Simcoe Centre PC) for Mr. Gordon

Swart, M. L. (Welland-Thorold NDP) for Mr. Reville

Clerk: Decker, T.

Witnesses:

From the Ministry of Tourism and Recreation:

Eakins, Hon. J. F., Minister of Tourism and Recreation (Victoria-Haliburton L)

From the Ontario Ticket Purchase Services Association:

Yemec, G. M., President

Ruby, C., Legal Counsel; with Ruby and Edwardh

From Ontario Lottery Corp.:

Cancellara, K. C., Legal Counsel; with Cassels, Brock and Blackwell

From the United States Postal Service:

Parrott, J. M., Inspector-Attorney, US Postal Inspection Service

Chalmers, R. E., Postal Inspector, Special Investigations Division

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, February 11, 1987

The committee met at 3:30 p.m. in room 151.

Mr. Chairman: The committee will come to order.

As members know, yesterday a timetable for the committee for the next four weeks was distributed and basically agreed upon. The groups are being notified what will happen during those four weeks, because there is some travel involved and some commitments had to be made ahead of time.

For the balance of this week, we will deal this afternoon with Bill 115, and then tomorrow morning we will deal with the estimates of the Ministry of Northern Development and Mines before we adjourn for this session.

ONTARIO LOTTERY CORPORATION AMENDMENT ACT
(continued)

Consideration of Bill 115, An Act to amend the Ontario Lottery Corporation Act.

Mr. Chairman: Without further ado, we will move on to Bill 115. As members may recall, last Thursday it was agreed by this committee that we would allocate an extra hour to Mr. Yemec and whoever he saw fit to come before the committee for one hour before the bill was reported back to the House this afternoon before six o'clock. Mr. Yemec knows he can use this hour as he sees fit. It is obviously up to you, Mr. Yemec, how you use the time.

There have been requests through the chair, hoping there would be an opportunity within that hour to ask you a few questions, but if you would rather use up the time in making a presentation to the committee, that is fine. It is your hour. I just want to let you know there are members of the committee who would like to have an exchange with you. You may proceed.

ONTARIO TICKET PURCHASE SERVICES ASSOCIATION

Mr. Yemec: Mr. Chairman and members of the committee, let me begin with a quotation from Hansard. Last week, in the first half hour of the hour that Mr. Laughren allowed me, after telling me I would have six hours and then two hours and then giving me one hour, my main problem was that I had to argue for a position to have people appear who desperately wanted to appear before this committee and who had been denied that opportunity.

Let me read from Hansard of November 20, 1986. During the second reading debate on this bill, Mr. Breaugh of the New Democratic Party said:

"I have no problem with this bill going out for hearings. I have no problem so long as it is seen to be something that is not short and sweet and so long as an appropriate length of time is allocated in one of our committees so the groups who want to make submissions can."

From Hansard again, on the same day, from the Minister of Tourism and Recreation (Mr. Eakins), who is responsible for this bill, "I have no objection to this bill going to a standing committee so that we can have representations."

We are delighted to have this opportunity to present our case before this committee. We have been denied a chance by the minister on at least 10 separate occasions. We have been denied the opportunity on at least 10 separate occasions by Norman Morris. Given Mr. Breaugh's statement in the House, I thought people would have a chance to make submissions. There are many people outside today who have not had a chance to make submissions. There are many employees outside today, employees who the minister told the press do not exist, which is absolute nonsense.

I am going to read a few letters from the employees. I am going to present their case in their own words, since they have not been allowed proper presentations from their employee associations here.

This is to members of the House, to Mr. Peterson and to Mr. Rae:

"Re Bill 115, I am a single parent with one small, school-aged child and I need my job. I have been employed with the Canadian Express Club for four years and I have acquired all kinds of valuable office and business skills, decision-making abilities, handling customer telephone inquiries and order taking, processing and expediting orders, computer skills, preparing newsletters and reports. All these valuable skills have been self-taught through hard work, dedication and pride. No other company could have given me this opportunity to develop my skills in business.

"By passing Bill 115, my job will be pulled out from under my feet after all these years of hard work and effort that I have given to the company. By passing this bill, I will be forced to seek government assistance until I can find another job. Please reconsider and think about all the lives that are being affected by eliminating our jobs.

"I am requesting that you do not pass Bill 115.

"Yours truly, Mary Leong."

Mary received no response to her letter from anybody.

Here is another letter to members like yourselves. I am sure many of you have received these letters.

"I am writing to you concerning a situation you might be aware of considering the publicity it has received, that is, the passing of Bill 115, which would make it illegal to sell lotteries outside of Canada.

"The reason I am writing to you personally is that the government does not seem to be at all aware of the implications this bill would have should it come to be passed. While I cannot claim to be well versed in the intricate dealings of this matter, I can say that I feel objectively that this is a bad move. Bill 115 will threaten the healthy free-enterprise situation in Canada as well as having negative repercussions on the work force. Not only would jobs be wiped out, statistically speaking, but each person affected would suffer a great personal loss.

"From my point of view, I can only say that I arrived in Canada seven months ago and after consistently being refused a job, I was taken on by the Canadian Express Club. I have been with the company five months and have been very happy here. My job deals with machine maintenance, inventory and clerical work. I am paid \$275 a week. In addition, I receive full health benefits, which include dentistry, OHIP and prescription drugs. My position is very

valuable to me, not only for reasons of survival, but also because I am treated, as everyone else is, as a member of one large family.

"I ask you please, please, on behalf of myself and everyone else, to look into this situation before it is too late. Help save our jobs. Help save our way of life.

"I thank you in advance for your support.

"Yours very sincerely, Christopher Hands."

Here is another letter:

"Stop Bill 115, please, Mr. Bob Rae. I am writing to voice my opinion over Bill 115. I am presently employed at First Telemedia Group, whose major client is the Canadian Express Club. I am a supervisor here and I love my job.

"Just to give you a little background on myself, I have been out of school for seven years now. For a number of years, I starved as an artist, taking various part-time jobs here and there. I do not have a lot of training, but a lot of energy. First Telemedia Group is the first company I have ever worked for that gave me an opportunity to use the potential that I have to better my financial situation and my general outlook on life.

"I have been unemployed too many times, struggling to get by, being supported by family, friends and the government. Please do not force me to live that lifestyle again. As it stands now, I no longer have to ask the government to pay my OHIP or rely on others to help me pay my rent. I am self-sufficient and I love it. Please stop Bill 115."

I have another letter. Again, none of these has been answered. This one is to the Honourable David Peterson:

"I never thought I would have to write to you regarding Bill 115, but I find myself doing so. Please consider the pros and cons of Bill 115 and do not let it be passed. If it is, not only me but also my family and co-workers will be affected.

"If you pass Bill 115, I will be out of a job. This is not just any job. I have worked hard for the past six years since I have been employed with the Canadian Express Club. I have now a good salary and a good position. I need the income and security that this company has offered me. I have a year-old baby and mortgages which depend on my income. It would be terribly upsetting if I have to lose everything and start all over again.

"On behalf of myself and my family, I ask you to reconsider Bill 115. Please don't pass it." It is signed, "Elena Miguel."

1540

Elena Miguel started with me about six years ago. She came here from Portugal. That is her letter. These people were outside today, and there are many more letters like these--I would say hundreds. They have not been answered by anybody. These people have not had a chance to speak before this committee. These people have been told by this committee only that this committee has no time.

There are other people outside my jurisdiction who have asked to appear

before this committee. They called Mr. Decker, Mr. Laughren, and they called me. These are suppliers, small businesses, charities, entrepreneurs. These people have been calling Mr. Peterson, Mr. Rae and Mr. Decker. I spoke to Mr. Decker last week and he said, "Yes, many people have been calling me but, again, there is no time." This committee has to rush this bill through this afternoon. Over 40 people, individuals and groups, called me personally last week as soon as they found out about this through various media situations. All wanted time, but again they were denied.

They are outside today, along with many of the industry's 500 employees. I would like to take some of my very own scarce time and let you face some of these people or at least I will list some of the ones that I think are critical. They are small businesses, charities and suppliers who will lose or, in some cases, face bankruptcy if Bill 115 is passed.

I want this committee to listen to some of these, to face them. I want them at least to understand that some day they may get a chance in court.

A small graphics company, Angelo Sgabellone, representing the graphics industry. Angelo and the graphics people will lose \$150,000 annually. These are independent people, small businesses. A small Kwik Kopy shop will lose \$30,000 annually in copying service contracts.

George Herczeg Ltd.; I think Denny is here. I started in Mr. Herczeg's building with 200 square feet 10 years ago, and now I occupy half an office building in downtown Toronto; over 12,000 square feet. If Bill 115 is passed, we will have to vacate 12,000 square feet of office space, half a building in downtown Toronto. No time to speak.

Grand Print. Nelson Bunting. Nelson is a printer. He will lose \$200,000 annually in lost printing contracts. Nelson just bought a new press and a new truck. We are his major client. Nelson will not be able to stay in business if Bill 115 is passed. He faces bankruptcy. Thank you, Nelson.

Niagara Paper will lose over \$200,000 annually in lost sales. They represent paper suppliers. They and their paper suppliers will lose \$200,000 in business; layoffs and jobs.

Telecom Canada. I think Dean Varley is here from Telecom. Dean remembers when we first started a very small business. Last year, we did \$1 million plus in business with Telecom Canada, using telephone service and equipment. Dean Varley has not had a chance to stand before this committee. He has asked everybody. Thank you, Dean.

Century Envelopes. Is Mariel Leray here? Century Envelopes is an envelope manufacturer. Over 10 million envelopes this year have been on order with Century. They will lose that 10-million envelope order. They will suffer needlessly. Thank you Mariel.

Dataprep. Last week we heard briefly from Dataprep, Mississauga. Don McGregor was notified at 4:30 that he had to come before this committee. Again, not enough time. He has invested more than \$1 million in computers and data processing services and equipment in this province. He stands to lose that investment because you will not give him the time and you will not withdraw Bill 115; no reason for it. Mr. McGregor, thank you.

ATC Telecom, Port Credit--and we are right across Ontario--\$25,000 invested in communications equipment for us. Richard Guglielmi. Richard will

lose that \$25,000 investment. Another small business, another entrepreneur down the pipes for no reason.

In Ottawa, Brian Tyrell. We have a book publishing contract with Brian. Over 200,000 books will be printed by the industry next year; a significant contract for Brian, very significant. Ottawa loses major book contract.

These people, small suppliers, large suppliers, jobs--they have all asked to be heard. No time. Have to rush this bill through.

The final irony, Ernie Priess from Winshare. Last week Mr. Laughren denied him an opportunity to appear. He has been sending telegrams to everybody. The final irony. Ernie Priess.

Mr. Priess: I have not been invited to speak here. I have not been asked to come. The majority of the bill is really directed at me--

Mr. Chairman: Order. If you want to speak, you must take a position at the table. You are welcome to use part of the hour; that is up to Mr. Yemec.

If he wants to use all the hour himself, that is up to him as well. If you want to use part of the hour, come up and sit beside Mr. Yemec at a microphone so that your words are recorded in Hansard.

Mr. Yemec, it is up to you.

Mr. Yemec: Mr. Priess has been denied an opportunity to present before the committee a brief that he spent over \$50,000 preparing. He has lost the most, and I will not give him less time than he deserves. I think he deserves that opportunity. I would like you to rule that Mr. Priess can have an opportunity for at least two hours before this committee since he is the man who has lost the most, suffered the most, and has not had the opportunity to vindicate himself. I would like you to rule on that, Mr. Chairman. Can Mr. Priess have more time? He has asked for it before.

Mr. Chairman: Sorry. The committee has already made a decision about the time; so if you want to use it debating a decision the committee has already made, it is up to you.

Mr. Yemec: I just want to go on record that Mr. Priess has been denied once more.

Mr. Chairman: Fine.

Mr. Yemec: There are some charities that have to be represented here. Annually, our industry gives over \$300,000 as a normal course of action to charity groups we have normally supported over the years.

We pledged again this year to support the Royal Agricultural Winter Fair by \$100,000. We pledged to support the Ukrainian Cultural Centre by \$30,000, the Ukrainian cultural community, and Myron Barabash, the head of the World Ukrainian Free Congress, accepted the pledge on their behalf.

We have pledged \$30,000 to Exile Editions Ltd., a Canadian publishing company that publishes artists and writers across Canada. I think Barry Callaghan is here. Barry, thank you. We pledged to the Mississauga Community Association, the Streetsville Minor Hockey Association, the Erindale Hockey Association, the Meadowvale Minor Hockey Association, the Mississauga

Firefighters Association, the Rotary Club of Mississauga, Credit Valley Hospital, and the Mississauga News Santa Claus fund--over \$150,000. Many of these people have asked to appear before this committee and have not been allowed any time.

Also, Eric Weissman of Artware, a sociology professor who came to us recently with his venture capital investment. He asked for time before this committee. The committee sent him to Norman Morris. Eric Weissman received over \$50,000 to start a small business in Ontario, to buy himself machinery to start a T-shirt company. Of course, that is threatened as well; just another incident where there is no time. These people have been calling the former Premier Mr. Davis, Bob Rae, Todd Decker and me, and all of them have been denied their opportunity.

We will discuss briefly again the falsehoods that have been presented before this committee, the complaints that have been levelled at us, the Chubby Gallagher incident, the false claims of the jackpot prize, the investigations that were shown unfounded and the smears perpetuated by the lottery corporation. We have asked that more time be allowed to investigate these incidents. We have asked that the committee allow us more time to make our presentations in this regard. We have been denied it.

1550

We have asked the committee to name one group or individual in Ontario who will benefit from Bill 115. Our companies, our employees and our suppliers will not benefit. Ontario lotteries, which benefit from sales of over \$40 million, will not benefit. The Ontario Lottery Corp., which nets \$12 million, which goes to charities and services Ontario, will not benefit. We think that figure is closer to \$16 million that we give through the Ontario Lottery Corp. directly to charities in Ontario. The Ontario government, which enjoys direct lottery revenue benefit and also economic stimulation, will not benefit. The people of Ontario will not benefit. The foreign capital flowing into Ontario will begin going the wrong way.

Ontario annually spends millions of dollars developing an export market. When one is dished up on a platter, they have turned up their nose at it. They have said, "We do not want it." I feel the Ontario people want that capital. The Ontario taxpayer at large will not benefit from the economic stimulation. The only beneficiaries here that I can see will be other provinces and other jurisdictions where our industry is moving and thriving. The only people I can see who will benefit by this legislation are our lottery competitors and US lotteries and ticket agencies.

The only people who will benefit are the international marketing lottery companies, with which we will not be able to compete. Earlier today I handed out a sample of the other international lottery marketing companies, basically, the other countries that promote and allow our kind of activity. This is the only jurisdiction that will stop that kind of activity.

Australia markets directly and allows independent sales in five states. Austria markets directly and allows independent sales by lottery licensed distributors and constantly promotes internationally. Belgium allows independent sales and allows nonresidents to buy in Belgium. France allows independent sales internationally. Germany sells internationally directly by the government and allows independent sales. Britain promotes football pools internationally and in Canada. By the way, all of these are available in Canada. Ireland has direct sale and independent sales through the post office,

all aimed at the international market, all aimed at our economy, available to Canadians, and we will not have the ability to respond.

Malta has direct sale by the government internationally and promotes it very strongly; the Netherlands, direct sale, independent sales allowed; Norway, direct sale by the government; Singapore, independent sales; Switzerland, independent sales, active international industry; Mexico, independent sales; Spain, independent sales; United States, direct sale; and New Hampshire independent sales.

In the US alone, games of all 23 lottery states are available to Canadians from independent and/or licensed operators. The New Hampshire lottery sells directly and at least five other lottery states are sold directly by mail. These states are now challenging some of the postal regulations again to be able to sell by mail directly internationally. All these states allow independent operators, or at least are not trying to stop independent operators who are working legally and selling directly to Canada by mail and by phone.

This is what is happening on the international scene. Bill 115 addresses that competitive environment by saying, "Fine, we will stop our sales to nonresidents." Nobody has addressed the issue of whether the United States is stopping its sales to Canadians.

Since when did Ontario make a policy of fashioning laws to suit the needs of American states and institutions? It seems to be some new trend. Let me amend a statement I made previously, a moment ago, when I said the lottery corporation will not benefit from Bill 115. I was speaking in terms of economics. In terms of power, it is a different story. Bill 115 creates a crown corporation that is completely independent and removes accountability. Section 3 of this act repeals all the regulations and removes accountability. The OLC becomes a law unto itself, able to make its own regulations, not answerable to cabinet or the Legislature.

Anyone doubting that should inspect the bill again and look for any provision for accountability in writing and enforcement of the regulations. Bill 115 is basically a power position for the lottery corporation, already a \$1.2-billion machine. This bill will create the most powerful, independent, unaccountable crown corporation ever devised in Ontario. I think that is the real purpose behind this bill and I think everybody has missed that.

Five thousand jobs are not just absolute nonsense, as the minister has stated. We do exist. We have the right to exist. We have a right to be heard. I urge the members of this committee to withdraw Bill 115, not to cause unnecessary suffering, not to create a situation which is economically not in the best interests of this province. Economically, it does not make any sense.

If you cannot withdraw Bill 115 today, I think you must at least give it a little more time to be heard. Because we have been faced with the problem of nobody listening and because we feel there are several positions we are not as conversant with as we could be, we have asked Clayton Ruby to present our case before you from a perspective that we feel may change your feelings on this bill. If you have any questions, Mr. Chairman--I do not know when you want to ask them--I prefer to have them addressed to me after Mr. Ruby's presentation.

Mr. Chairman: I am sorry, I was preoccupied for a moment. I think you should go ahead with your presentation.

Mr. Ruby: If I could just ask the gentlemen to pass these about, it will help you follow my remarks.

The first issue I want to address is the myth that has been created about thousands of complaints.

My friend points out, and I should point out to you, that some overly enthusiastic typist added a QC to my name. QC is a hollow, shameful honour and I cannot wait until you gentlemen take it away, but until you do, please ignore it on these particular documents.

The thousands of complaints that I want to deal with--

Mr. Pierce: The same people who want to take that away want to take your jobs away.

Mr. Ruby: Let us not discuss the merits of Tory QCs.

The minister, as you will see in paragraph 3, on July 3, got sucked in by Mr. Morris and announced to the assembly that there were thousands of complaints from United States residents who sent money to unauthorized mail order agencies and either did not receive their tickets or did not receive prizes they felt they were entitled to and could not get information they required.

That information finds its way into the preamble of this bill. That is the cause, the *raison d'être* of this legislation.

I pause in passing to say Mr. Morris indicated that the courts have ruled in favour of the Ontario Lottery Corp. three times. He did not say what they ruled. What they ruled was that you cannot get an injunction against the Ontario Lottery Corp.

Turn with me then to paragraph 9 on page 2. The Ontario Lottery Corp. refused to produce these so-called complaints until they were forced to make production under threat of court proceedings. Then when they had to produce the complaints, they produced a grand total of 137 against all mail order companies. The interesting thing was that not one of these complaints had ever been substantiated as a real complaint. Nobody ever investigated them to say whether the problem was cleared up, whether it was valid in the first place. None was investigated.

1600

In paragraph 11 on page 3, when it comes to the committee hearings here, Mr. Morris cites the number of complaints as follows: 236 in writing and 100 complaints by telephone. Did you ever hear of anybody who had a flat, round 100 complaints? In 1985, there were 212 written complaints and 34 telephone complaints. In 1986, there were 195 written complaints and 173 telephone complaints. That is out of 20,000 mailings. If the mail system of this House functioned with that sort of efficiency, with that level of complaint, you could give it a tremendous vote of approval. I understand Canada Post functions with a four per cent complaint ratio. This is a .014 per cent complaint ratio.

These are complaints that may not be real. Maybe they were people who got their tickets the very next day and were never heard from again. My point is not merely that the *raison d'être* of the bill does not seem to exist, that

is, the thousands of complaints. My point is this, why do they mislead about it? Why can the minister into thinking there is this huge problem about mail order complaints? We leave that with you.

The second point I want to deal with in the few moments I have remaining--

Mr. Bernier: May I interrupt here for a moment? I just noticed that the minister walked in. I wonder if the minister would take a chair at the front of the hearing. It may be a little more appropriate than sitting in the audience.

Mr. Chairman: Go ahead.

Mr. Ruby: The second issue I want to deal with is what I call the cloak of illegality at the bottom of page 3.

At the top of page 4, I quote the minister:

"The issue of mail order lottery tickets is complex and the subject of much research and investigation. However, it boils down to one basic fact: The government of Ontario cannot condone or support in any way activities which break the laws of another country."

That is the purpose of this bill. I will come to that later.

When you look around for an opinion in writing from a lawyer that American law is being broken, there is not one. There is a letter all right from an inspector named Hanney, but as Betty St. Clair says in paragraph 15 of my memorandum, he is not a lawyer. Let me pause to say Betty St. Clair is with the Rabinowitz, Boudin firm. You have a copy of that letter of opinion. That is no fly-by-night outfit. It is one of the leading constitutional law firms in the United States. When the royal commission of inquiry into the Honourable Sinclair Stevens sought a constitutional law opinion on American law, that is the firm it retained. This is a first-class firm and a first-class opinion.

She points out that opinion neglects section 1307. She also points out, when you look at page 5 of her letter, that the Deputy Assistant Attorney General of the Justice Department of the United States Criminal Division, the Honourable John Keeney, testified: "Our position has changed"--on the question of illegality--"because of the action of the Supreme Court in Bigelow versus Virginia, which casts serious doubt upon the enforceability of the lottery statute as presently written."

Once again, the rationale in terms of the breaking of American law is a lot of air before you, but there is not a single written opinion supporting that there is such a breach. In fact, as she says in her letter, the American authorities do not act as if it was illegal, because they do not enforce the law against each other.

This is the only jurisdiction that seems to bite on the notion that we should act to stop people from breaking so-called American law. Why us? If it is really a breach of American law, why do they not lay charges?

That leads me to the third and last issue I want to deal with. As I indicated earlier by reading quotes from the minister, if you look at the preamble of this bill, its purpose is intended to eradicate the business of mail order lottery sales from Ontario to other provinces, that is,

interprovincial sales, and to the United States, international sales. That is what it is all about. But the simple fact is, if you think about elementary constitutional law, only the federal government can legislate with regard to interprovincial and international sales of anything. Ontario does not have the power to regulate or stop sales to another country, for example. It just cannot do it. You all know the distinction between section 91 and section 92 of the Constitution.

In this case, the minister's remarks, which will be looked at by any court, make it clear that the purpose of this legislation and the act itself, which makes clear its effect, is to eliminate the sale of lottery tickets from Ontario to the United States.

I cite from the leading case, Parsons, that matters of interprovincial concern are solely federal. Professor Hogg establishes much the same at the bottom of that first page. When you look at what the federal trade and commerce power is confined to, at the top of page 2, it is interprovincial or international trade and commerce. But that is what this bill deals with and it is just not on.

Quite simply, there is something very drastically missing from the material you ought to have before you. What you ought to have in the face of this is an opinion from the Attorney General (Mr. Scott) in writing that this bill is within the purview of Ontario, some assurance that somebody in the Attorney General's office has looked at this problem and takes a different view than I do, a different view than the commonsense view which says we all know we cannot deal with foreign trade. We never have and we never will.

Yet in the middle of page 2, you will see the quotation, "The issue of mail order lottery tickets...boils down to one basic fact...the government of Ontario cannot condone or support in any way activities which break the laws of another country."

If someone suggested it is contrary to the laws of Canada, that is one thing. When you start talking about regulating trade to other countries, that cannot be done.

My submission to you is that you ought to get at this point an opinion from the Attorney General in writing, certifying that he at least has looked at this problem and thinks it is constitutional, because on its face it is not constitutional.

1610

Let me leave you with three questions.

First of all, why did Mr. Morris mislead the minister about the number of complaints, the *raison d'être* of this bill?

Second, why did Mr. Morris and the Ontario Lottery Corp. change their view, as they did within the past few days prior to this hearing, to decide all of a sudden that the mail order sales to the United States are illegal? You will recall that, as recently as January 12, Mr. Holroyde testified under oath in a legal proceeding, with Mr. Cancellara at his side answering for him, that those transactions were lawful. You are looking at me blankly. You do not know that.

I refer to page 69 of the transcript of cross-examinations in a lawsuit. Mr. Holroyde, who is a senior executive put forward as a spokesman on behalf of the Ontario Lottery Corp., was being asked questions:

"Q. And you regularly send and receive the tickets in the mail and regularly return the cheques to the people who win through the mails?"

"A. Yes.

"Q. And that you know to be illegal under the United States law, do you not?"

Mr. Cancellara answered for him, "No, it isn't illegal."

That was January 12, 1987. But Mr. Morris has told you, "Ah, just a short little while ago, we decided it was illegal, and we have stopped doing it." Why? Is it not a convenient piece of timing? Is it anything more than drama to suck you into passing a piece of legislation that is not necessary? So a second question is, why did he and the OLC change change their view so shortly before these hearings?

The third and last question I have already adverted to: Where is the written opinion regarding the constitutionality of this bill, which seems clearly designed to affect interprovincial and international trade? Gentlemen, you have been very patient with me. Thank you. I do not want to take up any more time.

Mr. Chairman: Mr. Yemec, what is your decision?

Mr. Yemec: For which, Mr. Laughren?

Mr. Chairman: Do you wish to use up any more of the hour, or do you wish to allow an exchange with members?

Mr. Yemec: I have a letter here. I am happy to see Mr. Eakins here. I am pleased finally to face him across the table after so many months of attempting to face him and being denied that opportunity. He seems--

Mr. Chairman: You do understand the question I am putting to you is to decide whether in the remaining time you want an exchange with members of the committee or whether you want to proceed and make a presentation.

Mr. Yemec: I want to summarize to the minister, who some five or six days ago declared that our industry, with its 500 jobs and 500 indirect employees, many of who were outside today, was absolute nonsense. I would just like to summarize and tell him that we are here and to read a letter that I wrote to the Premier (Mr. Peterson) on February 8, 1987. He may have had a copy of this, or he may not, but I will read it to him anyway. It summarizes our position. After that, you can ask any questions you like.

The letter is to the Premier from the Ontario Ticket Purchase Services Association:

"Dear Mr. Premier:

"Regarding Bill 115, Ontario Lottery Amendment Act, and Mr. Laughren's denial of adequate hearing time.

"I wrote to you on February 2, 1987, appealing for adequate time for our industry to present its case. I am writing to you again, as the situation is now even more serious. A thousand jobs are being threatened. No one seems to care. The unfair and irresponsible actions on the part of Mr. Laughren to

undermine our credibility must be censured by your government and adequate time must be allowed to the industry and to the following groups to appear before the committee.

"Small businesses stand to lose several million dollars in contracts. They have been denied the opportunity to appear, either individually or through any spokesman. Charities and cultural groups stand to lose over \$200,000 annually in direct funding from our industry. Several spokesmen will be asking for time to appear before the committee. The Royal Winter Fair, the Credit Valley Hospital Fund, the Mississauga News Santa Claus fund, the Ukrainian Music Festival, the Prometheus Foundation, Exile Publications and other foundations and cultural organizations will be appealing to you and the committee for more time to save their funding.

"This additional time must be allowed to prevent the continuation of this fiasco and the maltreatment of a very significant group of hardworking citizens of Ontario. I do not want to dwell on Mr. Laughren's conduct regarding the 'Dr. Cyanide' incident. It is only an example of the continued attempts to undermine our credibility that I have been trying to explain to you, the public and especially the committee.

"As you know, I am working against a stacked deck, but somehow I have this notion that the truth will out. So far we have successfully attacked and disproved two major and deliberate deceptions that have been perpetrated and continued by Mr. Norman Morris and, unfortunately, by the Honourable John Eakins. Firstly, the thousands of complaints on which this legislation is based have been reduced to 137 unsubstantiated complaints under oath. Secondly, Mr. Morris's claim that the OLC stopped mailing tickets and cheques to its US clients as soon as it found out it may be illegal conflicts with the facts. Furthermore, his whole testimony before the committee was not distinguished by its candour or its basis in fact.

"Finally, we are challenging the most grievous deceit, that of Mr. Laughren before the committee on February 5, where he proclaimed that Winshare"--the member company that has suffered the most, lost the most and spent the most to prepare its case, over \$50,000--"were invited and they declined the invitation." Mr. Peterson, we have reviewed the statement and would like to report back to you that the claim Winshare declined the invitation is unfounded. Winshare at least must be allowed the right to clear up all the speculation, innuendo and deceptions, and we again call on your office for assistance to ensure the right of Winshare to be heard.

"Mr. Peterson, there are a thousand jobs which will be destroyed by Bill 115. The lives of many Ontarians will be severely affected by this bill. The recent events initiated by Mr. Laughren have so severely biased, prejudiced and denied our case that the little time allotted to us has had to be spent in redeeming our integrity before the public. Surely the issues and consequences of this bill require more than a cursory review and the questionable examination that has hallmarked this committee's conduct to date.

"Mr. Peterson, before we ask the government to call for the resignation of Mr. Laughren as chairman of the committee on resources development, we implore you to take action to make certain that we are guaranteed adequate opportunity to avail ourselves of the open-door policy that your government has proclaimed as the right of every citizen in Ontario. On at least 20 separate occasions I have requested the opportunity to meet with representatives of the OLC and/or the minister's office, and on each separate occasion my overture has been denied.

"I request that you redeem the integrity of your administration and that I be afforded the opportunity of meeting with you personally to discuss the urgent need for a full and complete examination of all the issues surrounding this legislation, which will summarily destroy a thousand jobs in Ontario and result in the loss of hundreds of millions of dollars flowing into this province's economy in the coming years.

"Yours truly, George Yemec."

Mr. Chairman: Mr. Yemec, there are a number of members who have indicated an interest in having a dialogue with you, and they are, in order, Mr. Swart, Mr. Pierce, Mr. Stevenson and Mr. Bernier. I believe Mr. Stevenson had a brief point of order.

Mr. Stevenson: Very brief. I want to give notice to you, Mr. Chairman, that just prior to six o'clock we would like to put forward a motion that this committee time be extended to hear additional witnesses. I do not want to take away the time now from these people.

Mr. Chairman: Can we agree that the committee will deal with that at 5:30 p.m.? Is there any problem with that?

Mr. Stevenson: That would be fine.

Mr. Chairman: That way, to be fair, depending on how the debate goes, if the decision is to report it back, there is still time to do it; if the decision by the committee is not to do it, it does not get reported back.

Mr. Stevenson: Fair enough.

Mr. Chairman: So we will do it at 5:30 p.m.

Mr. Swart: I regret first of all that Mr. Yemec has not left us enough time to ask the many questions that need to be asked here. Having read the presentation before, I found what was said very repetitive, and I would think we would have been more usefully served if we could have asked some very pointed questions.

I would like to answer the question of jobs, but I want to put what I think is fundamental to this. I want to ask you--

Mr. Chairman: Order. Before you start, I plead with members of the committee not to take too much time, any one member, because that is not fair to other members of the committee.

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Mr. Swart: I have many questions here, but I will put the ones that I think are most important.

I would like Mr. Yemec to explain to me how a person in the United States can be sure his numbers are purchased or, if purchased, that he will have title to the money, and I want to give a specific example. What stops an unscrupulous ticket seller here from buying tickets on all calls or orders coming in on the last day or two before the draw and holding any confirmation until the draw is made?

Mr. Yemec: They have the confirmation of the numbers.

Mr. Swart: I would like a direct answer. There has not been the opportunity, if it comes in a day or two ahead, for you to have sent confirmation through the mail. I repeat the question. What stops an unscrupulous operator from buying tickets on all calls or orders coming in on the last day or two and holding any confirmation until the draw is made?

Mr. Yemec: I guess proof of purchase.

Mr. Swart: What proof of purchase?

Mr. Yemec: The way we operate, we give them a photocopy of the purchased ticket; it is attached to their confirmation certificate and that goes in the mail.

Mr. Swart: That goes in the mail, which he will receive two or three--

Mr. Yemec: It is a photocopy of the ticket that is purchased.

Mr. Swart: --or four days later. Is that correct? He would not get it by the time the draw is made.

Mr. Yemec: I have to buy the ticket to photocopy it, do I not?

Mr. Swart: Let me ask this. He would not get that by the time the draw was made, if you just got his letter a day before. Is that right?

Mr. Yemec: I am not responsible for Canada Post. I try my best to get it there before the draw.

Mr. Swart: There is also the United States post.

Mr. Yemec: Do you want me to be responsible for the United States post as well?

Mr. Swart: He would not be assured of getting confirmation.

Mr. Yemec: He has the confirmation, sir. It is physical evidence. I purchase a ticket and take a photocopy.

Mr. Swart: What would stop an unscrupulous operator from buying those tickets in his name, holding any confirmation until after the draw was made and then that person who bought the ticket could be the winner?

Mr. Yemec: I do not understand how that would work. You have the photocopy of the ticket. You have the date that you are playing.

Mr. Swart: But we have established that he will not have the photocopy of the ticket. If you get that in, the time of processing, the time it takes to go back out through the mail, he will not have the confirmation.

Mr. Yemec: I cannot answer that question because I have answered to the best of my ability. We are not unscrupulous. Why do you not ask an unscrupulous operator how he does it?

Mr. Swart: Let me ask you, what would prevent any operator from doing that?

Mr. Yemec: Nothing prevents us from doing that--

Mr. Ruby: That is not quite right.

Mr. Swart: In other words, there is no policing.

Mr. Yemec: --other than the fact we do not do it and it is not the way we operate.

Mr. Ruby: If anyone were to try it like that, the criminal law of fraud would soon see him in jail for a long period of time.

Mr. Swart: If it can be proved.

Mr. Ruby: We have undercover operators who are very adept as far as I know.

Mr. Swart: There would be a court case over it.

Mr. Chairman, I will forgo some of the other questions for some of the other members.

Mr. Pierce: I thank the representatives who have made their presentation today. My reason for getting on the list of members who wanted to ask questions was to inform you, as my colleague did, that we will be putting forward a motion at the end of the debate. I think I will just leave it at that. I have heard the presentation by both sides and I am prepared to make a decision.

Mr. Stevenson: Are we allowed to question the minister?

Mr. Chairman: I did not want to cut into Mr. Yemec's exchange with the members. Believe me, it is not to protect the minister; it is to make sure that members could have a chat with Mr. Yemec while he is here, rather than with the minister. But I have no problem with that if that is what members want to do.

Mr. Stevenson: I will place a question and then you decide whether it is in order or out of order.

Mr. Chairman: Before you do that, are there any other members of the committee who want to question Mr. Yemec? There are. Do you mind doing that?

Mr. Stevenson: This flows directly out of comments by Mr. Yemec. It is not something I have fabricated; it is as a result of Mr. Yemec's presentation.

I would like to know, have you sought legal opinion on the constitutionality of this bill?

Mr. Chairman: Appearing before the committee this afternoon is Mr. Parrott, legal counsel, inspection services, legal liaison branch, United States Postal Service; Mr. Chalmers, who is with the special investigations division of the US Postal Service; and Ken Cancellara, counsel to the Ontario Lottery Corp. Would you rather put the question to them?

Mr. Stevenson: It is pretty much a policy issue of the government. I feel my question should be directed to the minister. Whether this is the proper time to place it is open to question, I suspect.

Mr. Chairman: Let us go ahead.

Hon. Mr. Eakins: I think the appropriate time is when I am making my remarks. I think this is the opportunity for Mr. Yemec. I will be pleased to have any questions that you want to ask at the time I am called to appear before the committee.

Mr. Chairman: I am also nervous about cutting into Mr. Yemec's time when there are members who want to talk to him. He is going to be gone in 10 minutes.

Mr. Stevenson: Okay. As long as--

Mr. Yemec: I have no objections at all from my end.

Mr. Chairman: But other members may have. This is an opportunity for members of this committee--

Interjections.

Mr. Chairman: Order, please.

Mr. Stevenson: I will withdraw the question as long as we do have an opportunity at some time to question the minister.

Mr. Chairman: Of course you will.

Mr. Stevenson: Very quickly then, getting back to Mr. Swart's question, to what extent have there been conversations to try to regulate the industry to make sure that unscrupulous operators cannot do the things that Mr. Swart has suggested are possible, which I am sure are possible?

Mr. Yemec: We have attempted to establish a dialogue at every level, with the Ontario government, the Ontario Lottery Corp. and the minister, to discuss any and all issues in this case. We have been denied the opportunity. We have written. We have telephoned. What else can we do?

From an association point of view, we would love to work with the government at any level if there is a problem. We have identified that there are no problems. We have identified that repeatedly, over and over again. We have proven it under oath. If there are any substantiated complaints, these can be followed through with the industry. We would be more than prepared to open up all our ledgers, all our books, all our operations. As a matter of fact, I have asked this committee to come and visit.

Mr. Stevenson: I will pass. When the minister makes a comment, I would like a comment on the constitutionality and what advice he has sought. I would also like a comment on why Ontario has not moved and what consultation there has been with the federal government in this matter.

Mr. Bernier: To follow up on what Mr. Stevenson and Mr. Swart asked, I was led to believe that there was an RCMP or OPP investigation of the whole operation of offshore sale of tickets to another country. What was the result of those investigations?

Mr. Yemec: All the investigations by all the law enforcement agencies for the last 10 years, and there have not been that many but when there have been, have basically given us a clean bill of health. There is

nothing wrong, nothing illegal. We have great relations with all of them. There has never been any suggestion of any wrongdoing by any law enforcement agency--never even a suggestion. They deal with us like normal, reasonable citizens. When they think they have a problem, they come to us and ask us if there is a problem. We investigate it, report back to them and satisfy them that there is no problem.

When the minister's thousands of complaints came out, we were shocked at the allegation. I was not certain whether other members of the industry had a problem. We took an industry survey, which I presented here. Winshare took a survey. There were no problems, no complaints. The Better Business Bureau has had a triple-A rating on us for many years. There are no complaints; nothing illegal, nothing immoral.

I have asked the minister to pass along the complaints to us. I said, "If there are any complaints, we will be more than pleased to handle them." It is our industry. We are a service organization. That is our only reason for existing, to serve people who want to purchase tickets in Ontario. We provide that service. If it were not for that service and our integrity, we would not be in business.

Our integrity has been constantly challenged by innuendo and speculation. Another example is from Mr. Swart: We are unscrupulous operators. Innuendo and speculation again--not one shred of evidence, not one person who has a complaint. We looked at the complaints that were presented last week in Mr. Morris's brief. Fifty per cent of those people are happy customers playing with us. The other people were quite satisfied along the way. Whenever they had problems, the problems were satisfied. There are no open problems in this book.

Let me read you an example of the complaints they presented. This is a letter to the Ministry of Consumer and Commercial Relations, lotteries branch, which I believe was delivered to Mr. Morris. This letter was written November 2, 1984; the Ontario Lottery Corp. received it on November 23, 1984. This is a letter in their presentation to this committee of the type of complaints they get against our industry--these thousands of complaints. They only have about 10 out of these thousands, and this is the type of complaint that has been levelled at our industry.

"I came across this address lately and I am writing to you because it is a matter between me and Can-Mill Services. I bought two lottery tickets in April 1979 for a draw in May 1979. They would not send me the winning sheet. I took this matter up with the Better Business Bureau in Toronto. They did not get me the winning sheet. If you get me a winning sheet, I will pay for it. We do not believe this to be the character of the government of Canada." This is in pink; Mr. Morris underlined this.

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This is a complaint about the character of the government of Canada. In 1974, a man bought two tickets, moved or whatever, and could not get a sheet. He has to pick up the phone, read a newspaper and phone us; we will send it. He complains in 1984, five years later. This complaint is presented before this committee. There is something wrong here.

How do we answer our complaints? It is a matter of integrity. I will show you a matter of integrity, and this is the way we deal with it. Here is an individual. It is all here as registered mail.

Mr. Chairman: Pardon me. Is Mr. Yemec still on your question?

Mr. Bernier: Yes. He is answering the question. This is what I want to hear.

Mr. Yemec: January 24, 1986, Richard Dunham of Buras, Louisiana, sent us a photocopy of a winning Wintario ticket; he was a \$5,000 winner. He claimed he had sent it; he kept a photocopy. We did not have a record of receiving this. What did we do? Immediately we sent him a cheque for \$1,000 while we were investigating the incident. We said, "We will report back to you," and sent him a cheque for \$1,000.

We then reported the incident to the Ontario Lottery Corp. trying to determine whether somebody had cashed this ticket or stolen it. After investigating the incident, we found that nobody cashed it, nobody stole it. It takes a year for the ticket to expire, but about six weeks later we said, "There is no proof that we have this ticket; it is probably lost in the mail. If it ever comes up, we lose out."

I sent him another US\$2,600 to pay off for the winning ticket. We took his word for it. We paid him \$5,000. To this date, the ticket probably has not been cashed. It may have been lost in the mail. Who knows? We paid him \$5,000 out of our own pocket. We gave him \$1,000 while investigating in case he was right. That is how we deal with our complaints. That is our integrity.

Mr. Bernier: On another point, you have been in business now for 10 years?

Mr. Yemec: Ten years.

Mr. Bernier: How much contact have you had with the Ontario Lottery Corp? Has the minister ever written you saying you were illegal or wrong? Has the staff of the Ontario Lottery Corp. visited your operation, looked at your operation? Has the minister visited your operation?

Mr. Yemec: We have asked him on umpteen occasions. We have asked Mr. Morris. We have asked everybody to come and see what we are doing. Please satisfy yourself that we are not unscrupulous, that we are not clandestine. We are real; we occupy half an office building in downtown Toronto. We have offices in Streetsville, Oakville, Fort Erie, Mississauga. Please come and see us. We are a growing, thriving industry. No, they did not want to see us.

Mr. Bernier: You wrote to the minister's office and the minister declined--

Mr. Yemec: Nobody.

Mr. Bernier: Nobody from the Ontario Lottery Corp. ever visited you?

Mr. Yemec: Nobody. We asked, "If you do not want to visit us, please let us look at the complaints." They said, "You cannot see them." We said, "We can satisfy them." No. "Then appoint a third party," I said. "Please give them to a third party." "No, sorry, 1,000 complaints. Goodbye." Then Bill 115.

Mr. Bernier: Prior to the introduction of this legislation, did they call you and discuss it with you?

Mr. Yemec: Prior to this legislation, we were not consulted. It came to us as a surprise.

Mr. Bernier: Thank you.

Mr. McGuigan: Mr. Yemec, you have very lengthy correspondence here from a law firm in New York, Rabinovitch and a number of other partners, which would indicate that the US postal laws are unclear, perhaps archaic and unenforceable, and I do not question the learned opinion. You have also have a United States Postal Service judicial officer issuing an order against you telling you to desist your operations in the United States. There are two of these. One is docket 25186 and one is docket 24163 of September 1986 and January 6, 1987.

Have you taken any actions in the United States to dispute their actions of issuing this desist order or of opening your mail and intercepting your cheques and so on?

Mr. Yemec: Those orders come about possibly as a complaint from a citizen, and they go to the United States Post Office. They take whatever action is necessary and return the mail to us. That is the end of it.

Mr. McGuigan: Have you ever challenged these orders?

Mr. Yemec: No, because there is no reason to. They are unjustified on any basis, and they return the mail to us after a sufficient period of time. It is nothing. I believe the Ontario Lottery Corp. gets the same kind of letters.

Mr. McGuigan: Would that not clear the air as to whether or not this legal opinion here is correct?

Mr. Yemec: That legal opinion, as far I am concerned, is correct. Those are dealt with in the way I told you. They satisfy themselves of the complaint and rule on it and then return the mail to us, and that is it. I have not changed my address. We have been in business for 10 years. There is no reason for it.

Mr. Ruby: To supplement that, the opinion makes it clear that the postal authorities treat nonmailability as a function of price; that is, if you pay the differential rate, they will mail it. If you try to do it by the cheap rate, they will not. They do not have a consistent position on these seizures either. They let stuff go through in third and fourth class mail. That is in the letter, in the opinion, as well.

Mr. McGuigan: Has that ever been the reason they seized your cheques? Was it because of the postage or because of the fact that they regarded it as illegal?

Mr. Ruby: I think it is because they regarded it as illegal. Whether they are entitled to so regard it would take many hundreds of thousands of dollars to determine. Since they return the mail quite quickly, it does not make much sense.

Mr. Chairman: That is the hour and a little bit. We have three other witnesses this afternoon and by 5:30 we want to deal with the motion that has been indicated is going to be put by Mr. Stevenson or by Mr. Pierce.

Thank you, Mr. Yemec, Mr. Ruby and Mr. Green for your appearance this afternoon.

The next witnesses before the committee are Mr. Cancellara, counsel for the Ontario Lottery Corp., Mr. Parrott, legal counsel for the US Postal Service, and Mr. Chalmers, postal inspector for the US Postal Service.

I am sorry we are restricted on time, but you have heard other people complain about our time restrictions as well; so I am sure you will not be surprised. If you would introduce yourselves, we would appreciate it.

ONTARIO LOTTERY CORP.
UNITED STATES POSTAL SERVICES

Mr. Cancellara: Mr. Chairman, members of the committee, I am Ken Cancellara, a partner in the firm of Cassels, Brock and Blackwell. We have been solicitors to the Ontario Lottery Corp. from day one, from the date of its incorporation, and I have been acting personally for the Ontario Lottery Corp. for the past 11 years all told.

Sitting to my right is Jim Parrott, who is an inspector attorney from the criminal investigation department from Washington. To my left is Rob Chalmers. He is a postal inspector from the special investigations division, also out of Washington.

I will try to be brief. We are under time constraints.

Mr. Chairman: Yes. We would like to be finished before 5:30 because I think the minister wanted to make a statement as well.

Mr. Cancellara: We will certainly keep to that timetable.

It is little wonder Mr. Ruby spent not one moment discussing the legality of these activities under the Criminal Code. These activities, simply put, are illegal and all the rhetoric in the world is not going to change that fact.

The essence is that under the Criminal Code--you have my legal opinion there--section 189, the federal government has stated that lottery activities are per se illegal. Section 190 of the Criminal Code provides exceptions. An exception is provincial governments. The Ontario Lottery Corp. as a crown corporation is deemed to be the provincial government.

Section 190 of the Criminal Code also prevents the Ontario Lottery Corp. from selling or operating a lottery outside the province of Ontario. It is restricted to the province of Ontario. That is a fact which is absolutely irrefutable. All activities that have in essence the operation of lottery schemes outside Ontario are not within the exception in section 190 and are therefore illegal. That is a fact that is undeniable. We start with that proposition.

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We then go to the way the Ontario Lottery Corp. conducts business. It conducts business pursuant to the Ontario Lottery Corporation Act. That act basically allows the corporation, through its regulations, to appoint retailers, distributors and agents. They are all authorized, they all have a contract with the corporation, and it is that contract which allows those activities to be legal, because those activities are within Ontario. These retailers, agents and distributors cannot conduct business outside Ontario. That is what makes them legal. These mail order activities are outside Ontario

and, simply put, they are illegal. All the rhetoric in the world is not going to change that.

There is a second illegality, and it is based on US postal law. I will not deal with the question of American legality, because we have the experts to my left and to my right who will speak to that, but this activity is illegal in the United States. Because it is illegal in the United States, by virtue of our Criminal Code, section 423, this activity is deemed to be illegal in Canada. The reason is that Canada respects the reciprocity of foreign laws. In fact, Canada has said if there is an activity which is illegal in a foreign land, this country is not going to be participating in that illegality. That is what section 423 is all about. So there is a second illegality.

There is a third breach, and that is in the Universal Postal Convention. Canada is a signatory to that convention and so is the United States. In essence, that convention states--it is in my legal opinion, article 36--that it is a violation for a country to be supportive of operation of schemes that are illegal in the country of destination. Since these activities are illegal in the country of destination, which is the United States--and you have the experts who will testify to that--those activities are in breach of the Universal Postal Convention.

At this stage, I would like to clarify a suggestion that has been made by Mr. Yemec and his representatives that the Ontario Lottery Corp. somehow is doing the same things that it is accusing the mail order companies of doing. Nothing could be further from the truth. What happened was that a meeting was held with US postal authorities and representatives of my friends to my left, in which an oral opinion was given indicating that the Ontario Lottery Corp., because of the way it did business, could send winning numbers or even cheques by mail to individuals who bought tickets in Ontario.

In a typical situation, a tourist at Toronto International Airport buys a Wintario ticket, goes back to Kansas, finds out it is a winner, writes to the Ontario Lottery Corp. and says, "Would you send me my cheque?" The Ontario Lottery Corp., pursuant to that oral permission from the US postal authorities, has been sending these winnings.

Several weeks ago, at my request, the Ontario Lottery Corp. asked for a written legal opinion from the US postal authorities and the US postal authorities gave a contradictory opinion. They indicated that technically OLC was in breach of the same US postal code that the mail order companies were in breach of. On my legal advice, from that moment on, the Ontario Lottery Corp. has not been sending out any lottery material by mail. It is as simple as that. It is not mysterious. It was not made for the purpose of this committee. It is simply a fact that has happened. My friends will be able to explain that further if you wish.

Very briefly, the Ontario Lottery Corporation Act basically has regulations, one of which is section 4. That regulation prohibits any retailer from selling tickets at a price higher than the face value, which means that a retailer or agent cannot resell a lottey ticket for greater than face value. The control is tight, it is undeniable, and there are contractual sanctions if a retailer or agent breaches that regulation. That is what is missing in mail order companies. They can sell wherever they want and they can sell for whatever they want without any control whatever and, even worse, without the control that perfectly law-abiding retailers and agents are subject to.

I should say a word or two about the markups. You should know that the minimum markup when currency fluctuations are taken into account varies from a low of 69 per cent to a high of 390 per cent for the pool. Since most of the sales are of Lotto 6/49 tickets--approximately 90 per cent of the mail order companies' total sales are in Lotto 6/49 tickets--that markup is in excess of 150 per cent. That is based on my conservative fluctuation rate of 25 per cent US-Canadian.

In comparison to that, we have our own law-abiding distributors and retailers who are making a commission from a low of one per cent for the sale of Instant tickets to a high of eight per cent of Instant. That is eight per cent of the face value of the ticket. For every ticket that costs a dollar, they get eight cents. That is what this committee should compare the structure of the markups against.

I should mention one word about the civil remedies in the civil breaches. In addition to criminal breaches and convention breaches, in my opinion, there are very serious civil breaches. We have instituted actions against the mail order companies. The Trade Marks Act is a federal piece of legislation, which, by virtue of section 22, prevents a depreciation or erosion of the value of the goodwill of an individual or entity whose trademark or logo is being copied or infringed.

You have seen the document that has been filed by the Ontario Lottery Corp. I will not refer you to specific items other than to have you turn to that tab which is entitled "Sample Mail Order Materials." If you were to look at any one of the pages there, you will see direct lists of our logos and our registered trademarks. The Trade Marks Act says one cannot do that.

I should mention as well that the conduct the mail order companies have engaged in, again which is without contest, involves trademark infringement, section 22 of the Trade Marks Act infringement, civil action and possibly Criminal Code infringement, because section 115 of the Criminal Code makes it illegal for any individual to breach a federal act. These mail order companies are in breach of the Trade Marks Act. They are therefore in breach of section 115 of the Criminal Code in addition to all the other criminal breaches to which I have referred.

We have talked about the markups and we have compared those markups against the legitimate commissions that retailers and agents are drawing. As well, we should talk about the complaints because Mr. Yemec has wanted to discuss the question of complaints with you.

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The letters which you have in the material which has been filed are sample letters only. They use words like "scam," "fraud," "dishonesty," and on and on. There is no question that the reputation and integrity of the Ontario Lottery Corp. is being eroded because these letters came to the Ontario Lottery Corp., the sender believing that OLC was somehow involved or affiliated with the mail order companies.

The question I would like to leave with this committee is why should any private organization, let alone an arm of the government of Ontario, have to put up with that type of conduct. The Ontario Lottery Corp. tried to control these activities by its own internal process. As you know, it instituted a policy which made it illegal for its own agents retailers to sell to mail order activity. The thought was, "We might be able to dry them up." It did not

work. They challenged us in court. We were successful at three different levels and, contrary to what Mr. Ruby says, the judge not only dismissed the applications on the basis of the fact that no injunctive proceedings can go against the crown, he dismissed those applications, making a direct reference to the merits of the case. I am not going to refer to them. They are in the tabs. There is a tab entitled "Supreme Court Decisions" with the actual endorsement.

These policies have simply been ineffectual because, despite our efforts, these mail order companies are thriving. You have heard the extent to which they are thriving.

I want to mention one more item, and that is the process by which Mr. Yemec, Mr. Ruby and others have introduced testimony in the Supreme Court of Ontario in these hearings. I am not going to follow that conduct because I think it is improper, simply put. What it does tell me is the rationale and the reasons behind the legal actions which have been instituted by the mail order companies. One question whether those actions were instituted bona fide or with a view to this committee.

In any event, you have the transcript of Mr. Holroyde. Mr. Holroyde is not a lawyer. Mr. Holroyde is the vice-president of sales of the Ontario Lottery Corp. What he said in the transcript, simply put, was: "I am not a lawyer. I do not know if these schemes are illegal. That is why we have sought a legal opinion." Mr. Yemec preferred to read that portion from Mr. Holroyde, which said, "I do not know if they are illegal." The transcript is before you. If you are going to take cognizance of that writing, please read it and read it carefully, with questions and answers in context.

We are running short and I would like to leave some time for my colleagues. Perhaps questions can follow after my colleagues have given their submission.

Mr. Chairman: I agree with you totally because they might otherwise be repetitive. Who wishes to speak next?

Mr. Parrott: I will try to be brief. I have been asked to discuss with you the provisions of title 18, section 1302 of the United States Code, and to advise you that is, in fact, still a viable law. That section provides--

Mr. Bernier: Can I interrupt for one moment? I have one brief question of these two gentlemen from across the border. Are you qualified to give a legal opinion on US law?

Mr. Parrott: Yes, sir. I am an attorney admitted to the practice of law.

Mr. Bernier: Both of you?

Mr. Chalmers: No, I am not.

Mr. Parrott: The section provides in part "whoever knowingly deposits in the mail or sends or delivers by mail," and it goes on to enumerate certain items. Those include: "Any letters, packages, postal cards, or circulars concerning any lottery, gift enterprise or similar scheme offering prizes dependent in whole or in part upon lot or chance." It also addresses the issue of newspapers, circulars, pamphlets, cheques, drafts, etc.

The statute makes that conduct illegal. Anyone who commits that conduct can be fined up to \$1,000 or imprisoned up to two years, or both, and a subsequent offence could result in imprisonment for up to five years.

I would like to address briefly the legislative history of that act. The laws show clearly that Congress intended to exclude from the mails all lottery material of state sanction as well as unregulated lotteries. The first postal law under the lottery statute prohibited the mailing of all lottery materials without regard to whether the lottery was a state-sanctioned or state-operated lottery.

The first statute did not have penalties. In 1872, the statute was amended to prohibit the mailing only of materials concerning illegal lotteries, but criminal penalties were added. The law was again amended in 1876 to prohibit the mailing of lottery matter regardless of whether the lottery was legal or who was operating it.

Congress, in the debate of the 1876 law, made it very clear that they did not want to have any lotteries operated through the mail. They did not want the postal service acting as agents for lottery salesmen. Even now, there is considerable opposition to permitting the mails to be used to conduct even state-operated lotteries.

Many states permit some form of lottery and there is, of course, a concern about not permitting any state to impose its lottery policy on another state. Further, even those states which operate lotteries do not permit another state's lottery to operate within its borders.

Maintaining restrictions on the use of the mail for the conduct of state-operated lotteries also serves the interests of the lottery states in raising revenues by restricting out-of-state competition within that state.

The Congress of the United States has consistently decided that all lottery material should be excluded from the mails and Congress has changed its mind only to the limited extent that section 1307 of title 18 of the United States Code permits. That section was most recently recodified in 1979.

That allows for certain exceptions for state-operated lotteries to mail certain items within the state or to adjoining states that have lotteries of their own. In review of the congressional actions of the 98th and 99th Congress, which were our two most recent congresses, there were 11,602 bills introduced; 11 of those bills referred to lotteries.

One of those bills would have clarified certain aspects of the lottery statute, specifically those found in section 1307, but that was not passed. There were no lottery bills passed. The other bills referred to, in one way or another, would change the way the money was spent on the receipt of the money from the lotteries, but that had nothing to do with changing the lottery laws or the legality of section 1302.

The Supreme Court has long held that Congress can say what can and should be carried in the United States mails. In 1878, the power vested in Congress to establish post offices and post roads embraced the regulations of the entire postal system of the country. Under it, Congress may designate what may be carried in the mail and what may be excluded.

In section 1307, where we understand you may have some information that says there is a conflict between 1307 and 1302, I would submit to you that

Congress had the opportunity in 1979 to review that and to look at both sections because that is when they most recently made some minor changes to 1307. I do not have those changes with me, but they reviewed it and made those changes; so I would submit that they had a chance to review both statutes at that time.

The narrow limits of these exceptions were intentionally drawn to prevent participation in lotteries conducted by states from being conducted beyond the state boundaries. The idea is not to have someone who lives in California be able to play through the mail a lottery conducted by the state of New York, as it is not to have a lottery conducted by another country.

The postal service has a domestic mail manual which contains regulations governing its mail services. Part 123 of the domestic mail manual is entitled "Nonmailable Matter Written, Printed or Graphic." That contains information on the lottery. This regulation reflects most of the statutory prohibitions and restrictions on mailing written and printed graphic of any type related to the lottery.

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As indicated, each mailer has the responsibility to ensure that his mailing activity does not violate the law. While postmasters are authorized to point out apparently relevant provisions of part 123 to prospective mailers, the United States Postal Service does not provide legal advice to any member of the public on whether a particular use of the mail he is contemplating is legal or illegal. That information should be obtained from private counsel.

Postmasters do not have the authority to decide whether written, printed or graphic material is, because of its content, nonmailable, nor to exclude it from the mail as a consequence of their having reviewed it. When they become aware of such material, they are to refer it to the postal inspection service. Mr. Chalmers will address what takes place at that point.

The inspection service is responsible for investigating the possibly unlawful mailing activities and is warranted by evidence pursuing compliance by way of consensual disposition or seeking initiation of enforcement proceedings.

Title 18, section 1302, is a criminal statute. Deciding which particular mailing activity would form the basis of a prosecution rests, of course, within the discretion of the Department of Justice and, more particularly, with a United States attorney in the district in which the offence occurred.

There were some comments before you that in the past 20 years there have been no prosecutions under title 18, section 1302. The statistics that we have received from the United States Justice Department from 1974 through 1984 indicate that eight criminal prosecutions were initiated and there were eight convictions in all those incidents.

I was not privy to the information that was given earlier today about Bigelow versus Virginia. I did not see this document until late this afternoon, so I hesitate to address the facts contained therein. In looking at the Bigelow case, as the gentleman states, it dealt with a restraint order under state law. "We are not aware that the constitution grants the federal government any greater power," etc. In the same year, in a similar case, which would be right on point for violation of title 18, section 1302, Ionelli versus the United States, the actions were upheld and the defendant was convicted for violation of title 18, section 1302.

In 1980 the Sixth Circuit Court of Appeals, which is the first-level appellate court of appeals, upheld a similar conviction for a violation of the same statute. As late as 1986, in the southern district of New York, a district court judge ruled that a prisoner could not receive lottery tickets in the mail because title 18, section 1302, prohibited mailing of lottery tickets. What we have is all three levels of the federal court system in 1975, 1980 and 1986 upholding the statute. The 1975 case was a Supreme Court case.

I think I will refer to Mr. Chalmers now.

Mr. Chalmers: My position is postal inspector project co-ordinator with the special investigations division in Washington, DC. I am involved with the investigation and matters relating to the use of the US mails, particularly relating to the Canadian lottery situation. I would like to address that in my comments.

The principles of integrity and security of the US mail system were, in part, the purpose of the passage of the lottery statutes. Many postal customers rely upon these principles and feel assured that the items they receive in the mail are legitimate. The resellers of the Canadian lottery tickets rely upon this trust in the mail system to legitimize their operations, to give the appearance of an authorized agency relationship between the operator and the Ontario Lottery Corp.

I will not reiterate the statutes that apply since my associate Mr. Parrott has already done so. However, I would like to explain the administrative procedures available to the US Postal Service to deal with lottery resellers' illegal activities.

Based upon a complaint that we receive from a postal customer, a report is sent to the US Postal Service law department. That report then is transmitted to the judicial officer, who takes a look at the item on its face and our report and makes a decision as to whether that particular mail piece is mailable or nonmailable. If he considers it to be nonmailable, he then issues a tentative order against the mailer. The mailer is notified of the tentative order to cease and desist the mailing of this item and given 45 days in which to respond to the charges in the complaint.

If that 45 days passes without a response, it is assumed that the person receiving the complaint is not interested in making a response or has no response to make, and the order becomes a final one. In effect, what that gives the postal service the right to do is to trap all mail sent to that address and have it returned to the senders. The intent of that administrative procedure, in situations where fraudulent activity is suspected, or if there is a scheme of some sort going on, is to return the money and fruits of any crime to the senders so that they will not be defrauded in any way.

At each stage of that process--the complaint stage, the tentative order stage and the final order stage--the respondent or the mailer of the nonmailable piece is notified via international registered mail of each of those actions against him. He is made known full well that each of those actions is being taken and that it is considered illegal by the US Postal Service to mail that type of material in the postal system in the United States.

I took the opportunity to go up to the judicial officers' office a week or so ago to look through their documents and their records. Under no instance did I ever find a response to any any of these complaints by any of the

Canadian lottery resellers. A tentative order was issued subsequently and was a final order.

Let me give you an idea of the quantities of lottery orders that are issued. In 1986, there were 70 lottery orders issued by the US Postal Service against Canadian firms for the selling of lottery tickets. In 1987 to date, there have been four issued. In the period 1978 through 1985, 333 lottery orders have been issued against companies in Canada for reselling and mailing of lottery material that is considered nonmailable by the postal regulations. In addition to those, there have been US companies that have had orders issued against them; so it is not simply a one-sided action that is taken by the postal service.

During my investigations and my contact with complainants, I have received some complaints from US citizens that relate to their participation in the Canadian lotteries through the resellers of these tickets. Many of these people have perceptions I would like to relate to you as well. In many cases, they feel they are dealing with an authorized lottery dealer in Canada, namely, the Ontario Lottery Corp. The recipients do not realize the exorbitant markup of the tickets they are purchasing.

They are led to believe, through the reseller's advertising, that the winnings are tax-free. Although this is true in Canada, the reverse is true in the United States, and people are surprised when the Internal Revenue Service takes its share. There is no guarantee to these purchasers either that the tickets were ever purchased. If they were purchased, there is no guarantee that a payoff will occur. All this notwithstanding, these activities, as Mr. Parrott pointed out, are illegal under US law.

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Again, through my investigations over the years I have found that certain persons involved in the establishment of these reselling firms have engaged in other fraudulent schemes. One that comes to my mind is an individual who was charged and convicted of mail fraud in the US.

I believe it is an industry which, if allowed to go unregulated, can fall prey to unscrupulous activity. It should be pointed out that these resellers have implemented many covert methods to continue their activities, especially when they realized that sizeable mailings were being seized by the postal and customs services in the US.

For example, they have mailed their advertising and lottery materials in the US using US postage to avoid detection by customs and postal officials; producing the material in the US for mailing in the US; shipping the material across the US-Canadian border by truck and drop-shipping the material at selected postal facilities; mailing small quantities in various mailboxes around major cities to avoid detection; use of several nondescript return addresses on their return envelopes to avoid detection, and the use of individuals, even in the US, to act as their agents.

Approximately one million pieces of mail have been seized by the US Postal Service and US Customs Service during 1985 and early 1986. There has been a decline in this number recently, however, and it is my opinion that the resellers are using other methods of disseminating material through the mail.

Let me give you an example of several seizures that we had: Atlanta, Georgia, 400,000-plus pieces; Pittsburgh, Pennsylvania, 40,000-plus; Erie,

Pennsylvania, 150,000 plus; Flushing, New York, 50,000 plus, and four or five other cities where smaller amounts were seized.

I heard earlier there was an envelope company that was going to be out 10 million envelopes a year; so if we seized only a million, you can see it is just the tip of the iceberg.

The other thing I want to point out in relation to these seizures is that each time the postal inspection service or a postal inspector seizes mail, we must obtain a search warrant from a federal judge. In doing so, he has to review what our probable cause is to obtain that search warrant. Without that it would not be issued. We have at least six or eight, maybe even 10, instances where seizures have been made based on a valid search warrant and the judge felt that section 1302 of the US code was still enforceable.

In closing, integrity and honesty of any regulated lottery is a valuable asset. If the public perception of the lottery is dimmed by any impropriety, the entire populace suffers. The covert methods used by the resellers to avoid detection, their nonresponsive attitude towards notification of violations of law in the belief that they are not required to obey regulations will likely result in a monumental fraud case which could be a considerable concern to the public and to all of us.

As a member of the law enforcement community, I believe the passage of this legislation will have a very positive effect both in Canada and the US. Thank you for your time, gentlemen.

Mr. Chairman: Thank you, Mr. Chalmers. I appreciate that. Is it the wish of the committee to ask questions of these gentlemen now and then hear from the minister afterwards or do you want to hear from the minister now?

Mr. Pierce: Maybe the chairman could give us a better idea of what the timetable is. As I understand it, the discussion is going to cease at 5:30 so that the motion can be entertained. Does that mean we are going to do all these things that you just suggested in the next 14 minutes?

Mr. Chairman: Absolutely.

Mr. Pierce: That is great, Mr. Chairman, you are in control. Let us go.

Mr. Chairman: Okay. Let us move it. Questions for these gentlemen.

Mr. Pierce: Mr. Cancellara, you stated in your remarks that the activity of the Ontario Ticket Purchase Services Association is illegal. Can you tell me why they have not been charged? Why are we dealing with a piece of legislation when we should be dealing with it in the courts?

Mr. Cancellara: First, there are investigations ongoing right now. Our own investigations, from what the criminal authorities have told us, are completely opposed to what Mr. Yemec is saying. He seems to have indicated that he has a clean bill of health. That is not my understanding and I personally have had meetings with the criminal law enforcement sections of this city.

Second, there are priorities. I have been told personally by one crown attorney, "only if he had the time and the resources." They have priorities. They have shortages. They have financial restraints.

Mr. Pierce: Mr. Cancellara, have charges been laid against the OTPSA?

Mr. Cancellara: I do not know. I cannot answer that.

Mr. Pierce: Are you legal counsel for the Ontario Lottery Corp?

Mr. Cancellara: I certainly am.

Mr. Pierce: And you cannot answer whether charges have been laid?

Mr. Cancellara: No, I cannot. This would not be a private prosecution; this would be a public prosecution.

Mr. Pierce: No. I can appreciate that. I assumed that if you were legal counsel for the corporation you would be apprised of the fact that charges have been laid.

Mr. Cancellara: I do not know of any charges being laid, but I cannot answer the question.

Mr. Pierce: Can you tell me whether the US postal regulations been tested in the courts?

Mr. Cancellara: My friend who is the US attorney can speak to that question. If you would like, I can defer to him.

Mr. Parrott: I am not a US attorney. I work for the postal service. That is a different area. The question is?

Mr. Pierce: Have the regulations with respect to the transferring of lottery tickets been tested in the courts in the US?

Mr. Parrott: Yes, sir.

Mr. Pierce: And the finding of the courts?

Mr. Parrott: As late as 1975 the Supreme Court upheld a conviction for violation of that statute.

Mr. Pierce: The case was?

Mr. Parrott: The name of the case was Ianelli versus the United States.

Mr. Pierce: Any Canadian involvement?

Mr. Parrott: I am not familiar with the facts of the case?

Mr. Pierce: Are we talking about state involvement or about Canadian-US relations with respect to postal authorities?

Mr. Parrott: I am not familiar with the facts of the case. I only know the court upheld the conviction for violation of that statute.

Mr. Pierce: Back to Mr. Cancellara. I hope I am pronouncing your name right; if I am not, my apologies.

With respect to your comments about the markup and that the American

public is unaware of the amount of markup that is actually being placed on a ticket, do you know that to be true or is that an assumption on your part?

Mr. Cancellara: It is not an assumption. If you were to simply look at the sample material that goes out, there is no indication whatever to the US recipient--

Mr. Pierce: But Mr. Cancellara, when we go into a store to buy a product, we are not aware of the markup either. All we know is that there is a price tag on it and we buy it; any commodity.

Mr. Cancellara: I understand that.

Mr. Pierce: When we buy it willing, we are prepared to pay whatever the markup is.

Mr. Cancellara: That is the point I tried to make, and I apologize if I did not communicate it; that the person buying the ticket is paying 150 to 390 per cent markup believing, perhaps, that what he is buying is the ticket at that cost--

Interjections: No, no.

Mr. Cancellara: He does not know--

Mr. Pierce: You will agree that he is a willing buyer.

Mr. Cancellara: There is no question that he is a willing buyer. The question is, what is his understanding when he buys?

Mr. Pierce: You made a number of comments such as that samples of the mail-order material and the use of the logo is illegal. Again, is that being challenged in the courts? Has somebody been charged for the illegal use of the logo?

Mr. Cancellara: We have brought an action in the Supreme Court of Ontario against mail-order companies which are subsisting right now.

Mr. Pierce: All right. You also said that the OTPSA is in breach of the Trade Marks Act and is illegal?

Mr. Cancellara: Yes.

Mr. Pierce: Is that also in the courts?

Mr. Cancellara: No, that one is not. It is not in the courts. I am not aware of any prosecution under that act.

Mr. Pierce: Are you aware of where the OTPSA receives its tickets from in order to sell them again?

Mr. Cancellara: We used to know where one of its major clients received its tickets. We have no idea where they are getting them now; whether they have couriers or whatever, we do not know. They used to be getting them mainly from several sources which were identified and whose computer terminals were shut down. Those are the people who challenged that in the courts and of course we were successful.

Mr. Pierce: Mr. Parrott, are you aware if the legislation being proposed here in Ontario is also being proposed in other provinces across Canada?

Mr. Parrott: No, I am not.

Mr. Pierce: Are you aware of this type of legislation being dealt with in the US from state to state?

Mr. Parrott: I am not familiar with it. No.

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Mr. Pierce: Are you aware of this kind of legislation being proposed in the US as it respects the illegal transfer of tickets from the US to Canada?

Mr. Parrott: No, I am not. Are we talking about state or federal laws?

Mr. Pierce: I am talking about both.

Mr. Parrott: In the last Congress, the 99th Congress, 11 bills were presented and of those 11 that dealt with lotteries, 10 of them dealt only with the use of the money or that type of thing. The other one was to clarify some of the provisions of 1307 and it was not passed. So to answer your question, no, there is not.

Mr. Pierce: Can I ask you one other question? Has the US Postal Service requested that legal action be taken against the OTPSA?

Mr. Parrott: Not to my knowledge.

Mr. Pierce: Mr. Chalmers, just a couple of short questions. I will try to move along as quickly as possible.

How long have you been aware that OTPSA has been operating throughout the US?

Mr. Chalmers: Tell me what OTPSA is. Is that the Ontario Lottery Corp?

Mr. Pierce: The Ontario Ticket Purchase Services Association.

Mr. Chalmers: It is several years at any rate.

Mr. Pierce: Has there been any legal action taken that you are aware of against this association for transferring tickets through the mail in the US?

Mr. Chalmers: The lottery order is a legal action taken against them, and there have been some 400 of those, none of which they responded to. They were notified.

Mr. Pierce: Are you aware of other firms operating in provinces other than Ontario?

Mr. Chalmers: Most certainly.

Mr. Pierce: Has any action been taken against those firms?

Mr. Chalmers: The same lottery orders are issued against them as against those in Ontario.

Mr. Pierce: Have they ever gone to court?

Mr. Chalmers: You mean criminal court?

Mr. Pierce: Yes.

Mr. Chalmers: Not to my knowledge.

Mr. Pierce: Are you aware of any US dealers moving tickets into Canada?

Mr. Chalmers: Not to my knowledge.

Mr. Chairman: Mr. Swart, and then we will try to wind things up and let the minister have a few minutes.

Mr. Swart: My first question is to Mr. Cancellara. I think you said you had been the solicitor for the Ontario Lottery Corp. for some long period of time.

Mr. Cancellara: Yes.

Mr. Swart: I presume the advice you have given to this minister about the illegality of the operation is the same advice that you have been giving to ministers since you have been there as solicitor?

Mr. Cancellara: It has been constant right from the outset.

Mr. Swart: Have the former ministers under the former government accepted that information as being correct?

Mr. Cancellara: They have always followed the recommendations that had been given by my law firm.

Mr. Swart: The Conservative ministers followed those recommendations?

Mr. Cancellara: Absolutely. I have personal knowledge of that.

Mr. Swart: Is it right that they took action to close down ticket sellers?

Mr. Cancellara: There is no doubt about that.

Mr. Swart: The previous government, because it was illegal, took action to close down the ticket sellers?

Mr. Cancellara: Yes, absolutely. They followed our recommendation and that resulted in the shutdown of the terminals.

Mr. Swart: I want to bring the Criminal Code up to date, because there is some inference by those who state that it is not illegal. Is it the opinion under the Criminal Code, as it exists today, that the mail order sales are illegal?

Mr. Cancellara: Absolutely. Bill C-81, which is the bill that has been bandied about, has nothing to do with section 189 and section 190, which speak to where and the circumstances in which the Ontario Lottery Corp. can carry out lottery activities.

Mr. Swart: Is there any way, to your knowledge, that law enforcement officers can police the selling of tickets in the United States to ensure that they are operating legally, that in fact tickets are not being bought on money sent in from elsewhere and being kept? Do you have some concern that could be the case?

Mr. Cancellara: It is absolutely impossible to control these activities unless there is a direct piece of legislation that deals with lottery schemes, which is what Bill 115 is supposed to be.

Mr. Swart: Am I correct in assuming what you are telling this committee is that these mail order operations have always been illegal and that you have endeavoured, using measures such as cancelling the ticket sellers' rights, to stop it and that this bill is really just another step in implementing the federal Criminal Code?

Mr. Cancellara: It is not only another step, it is our last resort, because the internal procedures have been tried and they have proven to be ineffectual. This is the only way there can be direct control.

Mr. Swart: Would you go so far as to say it might be possible that the government of Ontario could be guilty of infringements under the Criminal Code if this is permitted to continue?

Mr. Cancellara: This is something the government should consider, but certainly I would have some concerns about being associated with an illegality.

Mr. Swart: A straight question to Mr. Parrott: In your view, the activities of the mail order companies, what they are sending into the United States, the ordering of tickets and the information, are illegal?

Mr. Parrott: Yes.

Mr. Swart: I just want to ask Mr. Chalmers the same question. There are one million pieces of Canadian mail that have been seized, is that right?

Mr. Chalmers: Some of it had US postage on it; some of it had Canadian postage.

Mr. Swart: But it originated in Canada?

Mr. Bernier: He said the US seized one million pieces.

Mr. Swart: That is why I am asking the question. When you said one million pieces of mail had been seized, I understood you to mean, although you did not say so, that was mail that had originated in Canada.

Mr. Chalmers: No. Some of it originated in Canada; some of it was mailed by the--

Mr. Swart: Was 90 per cent of that for lotteries in the US?

Mr. Chalmers: No. All of it was Canadian lottery material, advertising.

Mr. Swart: That is what I meant. All of it was Canadian lottery material?

Mr. Chalmers: Some of it had been mailed by them in the US.

Mr. Swart: So it was one million pieces of Canadian lottery material that you seized?

Mr. Chalmers: Advertising material.

Mr. Swart: Could some of that have been material that might have had cheques going to people?

Mr. Chalmers: Yes.

Mr. Swart: Therefore, they would not get those cheques even though they had paid for the tickets?

Mr. Chalmers: Once the judge issues the order to seize them as nonmailable items, he has control of them.

Mr. Swart: So there could be thousands of people in the United States who might have had winnings and would not actually get those winnings?

Mr. Chalmers: That is correct.

Mr. Chairman: Is that the end of your questions? It is almost 5:30.

Mr. Swart: Yes, that is the end. I will finish there, to be fair to the other members.

Mr. Chairman: If I could just abuse my privileges as chairman one little bit, what about the constitutional argument put by Mr. Ruby? Is there validity to that?

Mr. Cancellara: The answer simply is no. In giving our continuing opinion to our client, the Ontario Lottery Corp., we certainly considered that. The Attorney General himself is chairman and has been sitting on this whole process of bringing this piece of legislation into being. This is obviously something he would have been concerned about and obviously sanctioned.

Mr. Chairman: Thank you. We have now reached the hour at which we had agreed to end this portion of our hearings. I did not want to have the minister cut into that hour. The minister wanted to make a brief statement. He has assured me it will be brief and then we will deal with the motion by Mr. Pierce.

Hon. Mr. Eakins: I just want to make a brief comment. You have now heard from all sides on the issue of mail order lottery ticket sales.

As minister responsible for government lotteries, I want to clarify what I believe is the essential issue and the purpose of Bill 115. The issue is not free enterprise or employment, it is the integrity of the lottery system. The government of Ontario must control and must be responsible for all aspects of

government-operated lotteries. The government of Ontario operates within the law and wants to restrict the sale of its lottery tickets to this province in order to comply with the law.

Ontario lotteries enjoy strong public confidence because players know the government maintains tight control and strict accountability over its lotteries. The chain of control is extensive. The board of directors is appointed by the government of Ontario and reports to the Legislature through my ministry. The memorandum of understanding between the corporation and my ministry clearly establishes the rules, responsibilities and accountability of the Ontario Lottery Corp. Corporate operations are subject to regular scrutiny by the Provincial Auditor as well as by legislative committees. The corporation regulates its distributors, agents and retailers by means of contracts and authorizations. These individuals must sell lottery tickets according to the rules and policies of the Ontario Lottery Corp.

1730

There is one purpose for all these levels of control: so that the public can be assured that the provincial lotteries are open to scrutiny and are being operated with the utmost integrity. But there is one missing link in this extensive chain of control. There is one growing area which operates outside the stringent controls that govern the operation of our provincial lotteries. I am speaking of the lottery ticket mail order business, a business which by its own estimates sells \$60 million worth of tickets to residents of the United States.

This group, represented at these hearings by the Ontario Ticket Purchase Services Association, answers to no one. You have heard from previous witnesses that the sale of OLC lottery tickets by mail order outside of Ontario is in contravention of Canadian criminal law and contravention of the US criminal law, in contravention of international postal agreements and against the Ontario Lottery Corp. regulations and policies. Yet this group sells lottery tickets at unconscionable markups and in a manner that impairs the reputation of Ontario's lotteries, because it is the name of the Ontario Lottery Corp. that is printed on the back of each ticket.

We have gone to great lengths to ensure the integrity of our provincial lotteries. I have heard the concern about jobs expressed here and I would like to put that in perspective. I, too, regret that some jobs will be lost as a result of the passage of Bill 115, but I remind you that these jobs exist because of an illegal activity. The committee must consider that there have been many thousands of jobs created, directly or indirectly, by the legal operation of our lotteries and from the various grant programs they support. We have a great deal to lose if we allow illegality to creep into the operation of our provincial lotteries.

The issue of lottery ticket mail order sales has been around long enough. It is time for the loophole to be plugged and the control of lotteries returned to the government of Ontario. Bill 115 will achieve both these goals and ensure Ontario's lotteries will continue to contribute the many benefits Ontarians and the members of the Legislature have come to expect from them.

Mr. Chairman: We shall now move to the notice of motion that was given to us. Mr. Pierce, do you wish to put your motion?

Mr. Pierce: I have listened intently to the remarks of the minister and certainly I would like to study them in Hansard because I think there are some loopholes in the comments as well. I say to the minister--

Mr. Pierce: All right. I guess we are not going to have any discussion.

In light of the fact that there was no advertising of these hearings and because of the seriousness of the impact of this bill on the businesses and lives of people who have not been able to appear at this committee, I move that this committee establish four additional sessions of two and one half hours each to give the opportunity to other individuals and groups to make their presentations before this committee.

Mr. Chairman: You have heard the motion by Mr. Pierce. Is the committee ready? Mr. Swart--

Mr. Pierce: Are we allowed to discuss it now?

Mr. Chairman: Yes. Did you wish to speak to your motion?

Mr. Swart: Whoever wants to discuss it, feel free. I am willing to bow to the mover if you want.

Mr. Chairman: Go ahead; speak to your motion.

Mr. Pierce: At the outset of having Bill 115 presented to the resources committee we had other items on the agenda as well. It was the wish of the committee to deal with Bill 115 as quickly as possible for reasons that I do not quite understand. There were other items that were as important as, if not more important than, the ones we are presently dealing with in Bill 115. Certainly the impact of plant closures in northwestern Ontario is a very serious one that could have been dealt with as well. But the committee has decided that this is a bill that would be dealt with. After hearing the--

Mr. Chairman: The committee decided that; right, Mr. Pierce?

Mr. Pierce: That is right. The committee decided that it would handle Bill 115.

In listening to the presentations today, I believe that there are a lot of people who have not had an opportunity to state their cases and to make their opinions known to the committee and that in fairness to everybody who is involved, these people should be given that opportunity. If it requires that this committee sit longer to hear the deliberations and to have the input, then I suggest that is what we do. That is the reason for the motion.

Mr. Swart: I have to say I am somewhat surprised at the motion we have before us today. I am surprised because the former Conservative government had admitted all along that this was an illegal activity and had even taken steps itself to lift the licences of those who were contributing to this. The former minister had even indicated that he was considering the same kind of legislation because the tools he had at hand were not effective in dealing with this very real problem. Now we have a resolution before us today which does nothing more than stall this whole thing.

I want to point out that I was not here last week to hear what was said. I have taken the trouble to read the briefs that were presented by both sides and to read not all of Hansard but a substantial part of it. I want to say today that of the arguments that were put here in the hour from those who are opposed to this bill, 90 per cent was repetition of what was said last week.

Everybody on this committee knows the issues. But apart from all that, apart from the fact of losing jobs--nobody wants people to lose jobs--apart from all the arguments pro or con, the simple question on the bill we have

before us is, are we prepared to uphold the Criminal Code? Are we as legislators--

Mr. Chairman: Order. We are not debating the bill, Mr. Swart; we are debating the motion put by Mr. Pierce.

Mr. Swart: Very good.

The question we have to decide is whether we, as legislators of this province, are prepared to uphold the Criminal Code of Canada. Everything else aside, that is the simple issue. We do not need to have any more information. This motion does not need to be passed today. We have enough information on that one key issue to make our determination. It has to be made on that key issue and on very little else, because that is the question we have to answer.

Mr. McGuigan: I am opposed to the motion because, as I understand it, the motion speaks mostly to hearing people who are suppliers and people who are associated with this operation and who work for the operation. I do not think there is any question in my mind that they are going to be inconvenienced, and perhaps even more than inconvenienced, but the central thing we are working with here is the fact of the Criminal Code. The motion does not speak to the Criminal Code; it only speaks to hearing more witnesses along the lines I mentioned earlier. Therefore, I feel we must proceed at the present moment to address the central issue, which is the fact that these actions are against the Criminal Code of Canada. I do not see how any of us can uphold our oath of office in this matter without recognizing that fact.

Mr. Bernier: Let me say how surprised I am to hear the New Democratic Party members take the position they have today on this bill and particularly on this motion. I find it astounding that Mel Swart would speak like this in this committee; all we are asking for is four more sessions of two and a half hours each, and he does not want to support it. I find it hypocritical. Mr. Swart, you are hypocritical.

Mr. Chairman: You will deal with the issue, Mr. Bernier.

Mr. Bernier: I get very annoyed, having listened to that gentleman for so many years as a consumer advocate and as a professed defender of the little people, so-called.

Mr. Chairman: Deal with the motion.

Mr. Bernier: I have been around this Legislature for 21 years and I cannot recall a piece of legislation that would put a thousand jobs on the back burner. I find it despicable that you should bring this piece of legislation--

Mr. Chairman: Mr. Bernier, we are not dealing with the bill; we are dealing with the motion put by Mr. Pierce.

Mr. Bernier: I also find it inconceivable that there has been no consultation on this bill; there has been no public input, no public advertising. All we are asking for--

Mr. Chairman: That was agreed by the committee.

Mr. Bernier: All we are asking for is four more sessions of two and a half hours each to hear these people and not to ramrod this piece of

open government, with no walls and no barriers. What are we seeing today? I think that members of the committee should overwhelmingly support this motion.

Mr. Swart: The minister is trying to uphold the law. That is what we are seeing.

Mr. Chairman: Order, please.

Mr. Offer: In the last two or three days we have heard some very good presentations on both sides of the issue. We have heard from the Ontario Lottery Corp. We have heard from the Minister of Tourism and Recreation (Mr. Eakins). We have heard from Mr. Yemec, who I think has brought forward his particular case very well.

I think it is incumbent on this committee to understand and to accept that we have heard the sides and the issues in this matter and that, according to what we are allowed to do, we can say we have heard that which is to be heard. We have heard the position, not only of the Ontario Lottery Corp. but also of Mr. Yemec, both brought forward in a very succinct, concise and very good manner.

I will not support the motion brought forward by Mr. Pierce because we have already heard the issues dealing with this matter. As we have already discussed, it is our responsibility, if necessary, to refer this back to the Legislature for final determination. That is our responsibility. To do anything less is to shirk that responsibility.

Mr. Pierce: Let me say first of all that I believe the resolution is quite clear. The motion was to give people an opportunity to present their views to the committee. Mr. Chairman, I am sure you are aware and other members of the resources committee are aware that all parties sat through Bill 51 on rent controls. We heard over 161 briefs presented. Many of those briefs were repetitive of the brief we heard 10 minutes before that, but we gave the people an opportunity to express their opinion; that, in my opinion, is what governments are all about.

All we are asking for in this resolution is to give the people an opportunity to present themselves and make representations. If we on this side of the House or we in government are going to block completely an opportunity for people to make representations to committees, then I am afraid we are in dire trouble. I can only ask that the committee support the resolution that the people be given an opportunity to make representation as it affects them and as it affects the Ontario Lottery Corp.

I am sure there is more representation to be made by the OLC as well. The presentations that were made here this afternoon by legal counsel were not documented. We did not have copies of the presentations prior to the deliberations to study and to question on. They were oral presentations, and I am sure they were oral presentations because we have rushed ourselves into this Bill 115. That is not what committee work is all about.

Mr. Rowe: Very briefly, with respect to the motion at hand, I fail to see the absolute, no-holds-barred urgency of putting this legislation through this House. I simply cannot understand it. I was on the list to ask questions but obviously somehow got misplaced and was too late, I guess, in getting there at 5:30 p.m. I had at least 30 questions that I was prepared to ask the gentlemen who travelled from the United States today. I am sure there are members in this committee who had questions for an excellent presentation that we wanted to ask more questions about, but for some reason we must get this through.

I cannot understand how any member could sit on this committee and not ask himself the one question, why this industry cannot be regulated as 13 other countries have done? I do not understand that.

Mr. Chairman: Mr. Rowe--

Mr. Rowe: Before you rule me out of order, Mr. Chairman, I simply say that if this is democracy, then God help us all.

Mr. South: I have been quite interested in the variations on a theme, and I think that is what it becomes, because it is an irrefutable fact that the previous government allowed the closing down of some sellers. That was because members of the previous government were convinced a number of years ago that it was an irrefutable fact that it is illegal, and here they are arguing today that there has not been enough time. I am not impressed by the arguments behind it.

Mr. Chairman: Does everyone understand the motion that has been put by Mr. Pierce? Do you need it read again?

Mr. Pierce: I would like the motion read again.

Clerk of the Committee: Mr. Pierce's motion reads as follows:

"In light of the fact that there was no advertising of these hearings and because of the seriousness of the impact of this bill on the businesses and lives of people who have not been able to appear at this committee, I move that this committee establish four additional sessions of two and one half hours each to give the opportunity to other individuals and groups to make their presentations before this committee.

Mr. Pierce: Am I out of order in asking for a recorded vote?

Mr. Chairman: Not at all.

Mr. Pierce: Can I ask for a recorded vote?

Mr. Chairman: Yes, absolutely.

The committee divided on Mr. Pierce's motion, which was negatived on the following vote:

Ayes

Bernier, Pierce, Rowe, Stevenson.

Nays

Cooke, D. S., McGuigan, Morin-Strom, Offer, South, Swart.

Ayes 4; nays 6.

Mr. Chairman: Pursuant to the motion that was passed last Thursday, February 5, I now adjourn the meeting and shall report this bill to the House.

Bill ordered to be reported.

The committee adjourned 5:47 p.m.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

PLANT SHUTDOWNS

TUESDAY, FEBRUARY 17, 1987

Morning Sitting



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

Bernier, L. (Kenora PC)

Gordon, J. K. (Sudbury PC)

Mackenzie, R. W. (Hamilton East NDP)

McGuigan, J. F. (Kent-Elgin L)

McKessock, R. (Grey L)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Wildman, B. (Algoma NDP)

Substitutions:

Gillies, P. A. (Brantford PC) for Mr. Stevenson

Hennessey, M. (Fort William PC) for Mr. Bernier

Clerk: Decker, T.

Assistant Clerk: Manikel, T.

Staff:

Nigro, A., Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON RESOURCES DEVELOPMENT
Tuesday, February 17, 1987

The Committee met at 10:10 a.m. in room 228.

The Chairman: The Committee will come to order. As members know, we have been assigned the task of looking at the whole question of plant closures and shutdowns and have been given two weeks to do so. I don't know how we'll do it, but we'll progress.

There was an agreement among members of the Committee before. I know a lot of the members have changed in the Committee, but it would be impossible to try and get to the bottom of all or any layoffs in the province in that length of time and that rather we would concentrate on looking at the kinds of legislation that we would recommend to the Legislature, the kind of actions that we would hope the government would take rather than trying to get to the bottom of layoffs or attach blame to any layoffs anywhere because it would just have been a bottomless pit, and three weeks wouldn't have allowed us to get to the bottom of any one layoff, let alone the whole principle of layoff, shutdowns and how to protect workers, communities in the way that allows employers to live with it at the same time.

So that there was an agreement among the Committee members that we would use that approach, and in keeping with that, we assigned Albert Nigro, our Research Officer to look at a couple of things. One, to bring the committee up to date on where we are at now in terms of legislation in the province of Ontario and to look at the kind of work that has already been done by the previous Committee on plant closures and shutdowns which sat between '77 and '81, and that was not reconstituted again after '81, and secondly, to look at legislation from other jurisdictions resisting mightily the temptation to go there and experience first-hand the other jurisdictions.

Mr. Wildman: We will let the committee from Alberta do that.

The Chairman: We had research done on that so that we can take a look at the legislation in other jurisdictions.

Briefly, the travel schedule will be to go to two places in the north, Thunder Bay and Sudbury and to go to Windsor. We made overtures to the Soo and did not get a very enthusiastic response. In fact, there was no enthusiasm at all, and so we had originally intended to go to the Soo but have scratched that. We were trying to work out a better schedule for Windsor because there is no

accommodation in Windsor. There was a big convention in Detroit next week.

We are trying to work it out so that we can spend a full day in Windsor because that's an important community, and we're talking about closures, shutdowns, that kind of thing, so we still want to go to Windsor next week and Todd is working on how to best work out accommodations. It's a serious problem.

One way was to fly in to Windsor in the morning, but we wouldn't even hold our first hearing until about eleven that way, and then we had to go to Thunder Bay the next day and leave at four, so we are trying to work out a way where we can stay close to Windsor, as close as possible, not Detroit, and then that way, the previous night, and have a full day in Windsor before we head out to Thunder Bay, so we are trying to get that sorted out this morning and have a decision on that this afternoon.

Mr. Gillies.

Mr. Gillies: Mr. Chairman, I guess if we are going to discuss this it can wait, but I just wondered if you knew which days next week at this point?

The Chairman: Well, tentatively, but I'm really jumpy about giving days at this point while we're still trying to work on it, but originally it was to be in Windsor on Tuesday, Thunder Bay on Wednesday and Sudbury on Thursday. We had originally scheduled Sudbury for Tuesday, but the Sudbury officials who wanted to appear before the committee are working very hard at the Good Roads convention on Tuesday, so we switched that around to Thursday.

Mr. McGuigan: It might be an alternative. It took an hour for anything.

The Chairman: That kind of thing is good advice. We want to get a person to stand so we can get there at a decent hour and start the hearings.

Mr. McGuigan: It's an hour to Chatham. Only one.

The Chairman: Okay. Anything else on the travel arrangements? Anything else on the committee work itself?
Mr. Mackenzie.

Mr. Mackenzie: Mr. Chairman, having gone through for a couple of years the previous plant shutdown committee and after getting a final report, I agree with you that we can't get into the details in three weeks of every plant closure and the focus has simply got to be on legislation that might be possible, but at the same time, Mr. Chairman,

there is one facet of our investigation that I think is vital and has to be included in our discussions, and it may even take a day of hearings, and that's the issue of corporate takeovers and the subsequent shutdown of plants that have been taken over.

I believe it can be highlighted by two examples covering four plants. We have the example of United Technology who took over the Carrier plants a number of years ago in Brampton and just announced last week that this plant will be closing on the 27th and 140 workers are out of work and then last Thursday in Hamilton we got the bad news again from United Technology that 240 workers will be finished, all of them by early September with the closing of the Otis plant.

This plant was taken over by United Technology in '79, and I think the reason we should look at this, Mr. Chairman, is that many fears were expressed at the time as to what were the plans. Was it only the Otis technology that United Technology wanted, was it just the forerunner to a closure or some charge that whatabout product mandating which was supposed to have been one of the commitments in that particular takeover, and what about the assurances that were given.

Almost everybody in Hamilton got in on the act, politicians and otherwise, and then on Thursday, a busy plant day in this plant where they are working overtime and have lots of orders at the moment, and the first day of negotiations, they get the news that the plant is closing.

Incidentally, the government got no more notice on this than the workers did, and it's once again a classic example of thumbing their nose I think at the government.

The other examples, two, once again at a Gardener Denver plant which closed three years ago in Woodstock and the Kirsch plant which closed just last week in Woodstock. Both were well known and competitive operations. Both were taken over by Cooper Corporation of Houston, Texas. Both plants, the employees charge that profitable lines were removed in the first two years after the takeover and both plants almost five years to the day and after the takeover and after charging in the last year or two that they weren't making a profit, the plants were closed and we had some 123 and some 75 workers in those two.

The major corporations are able to enjoy the benefits of the rationalization. They have a meaner and leaner operation as a couple who have actually admitted to enabling them to better compete. They have eliminated as well the competition as both plants that they took over were effective competitors of theirs.

The company doesn't pay, the shareholders don't sacrifice, the banks holding the loans aren't penalized but in every case the workers are.

In the Otis case, Mr. Chairman, The Minister of Labour has already assured me and I note for a fact that they are putting together the material available as a result of the original takeover, and I think we should include these just as examples. There are many others that could be used in our investigation and keep open the option of calling one or both of these operators before this Committee.

I think it's a classic example of what we are all about in this Committee, having to decide what additional protection has got to be there in terms of the workers, and I don't know of better examples than the cases I've cited.

The Chairman: Okay, just one word of warning to the Committee, that it be approached as the principle of takeovers and --

Mr. Mackenzie: I am willing to do that, and corporate rationalization and takeover and shutdown.

The Chairman: They are trying to get to the bottom of the Otis Elevator takeover. Perhaps one way would be to ask Albert - most of you know Albert Nigro, don't you, from the Research Office, and you know Todd Decker - to have Albert do some work on the link between corporate takeover and closures and shutdowns, and is there any kind of special obligation that's linked there or should there be some special obligation.

Mr. Mackenzie: I could have cited others. The SKF is another classic in terms of some of the profitable lines going before they started saying they couldn't operate and closing it down, but these are recent ones that we have all been faced with in the last weeks.

The Chairman: Can you handle that, Albert?

Mr. Nigro: I will do my best.

The Chairman: Is that agreed by the Committee, today's Committee?

---(unanimous agreement)

Mr. Gillies: Yes. Mr. Chairman, if we are sort of canvassing issues that we may look at, another one that has been of concern to me because of our experience in Brantford the last couple of years is the question of assets stripping of a company.

In the case of White Farm Equipment in Brantford,

which was -- I don't have my dates with me, but up until a couple of years ago was owned by TEC company in Texas which had run into difficulty both in its American and Canadian operations, and it was widely known in Brantford and told to me by a number of workers at that time that pieces of equipment and so on were being taken out of the Brantford plant back to the States, and in fact the suggestion being that the viability of the plant was being reduced in terms of equipment, in terms of the ability of the plant to do its job.

Viability was being reduced even at the same time that the company was getting into trouble financially. That company was later sold to a man in Canada, the end result being that the plant closed, the market conditions were terrible, and I am not saying that the actions of the previous American owners completely crippled the plant. I am not convinced that it wouldn't have closed anyway, but it was a concern to those six or seven hundred workers in my riding, that they saw pieces of equipment and so on being boxed up and taken out.

I just wondered if we could take a look at what laws, federal and professional, there are over this sort of thing and what we might be able to do about this phenomenon.

Mr. Mackenzie: I don't disagree with that. I think it's really covered, Mr. Chairman, in the comments I made. Both the Woodstock plants were classic. In one case you had workers transferred from the other plant or their husbands and wives worked in the second plant, and they actually talked about it.

In the Gardener Denver plant, it was the machine shop operation which was their most profitable that disappeared a couple of years after the takeover, and I think the very fact in those companies that they charged that profitable lines were removed in the first two or three years of the takeover and then the company started crying poverty is part and parcel of what my colleague is talking about in terms of the stripping.

The Chairman: But you could have asset stripping without it being linked to a plant takeover too, couldn't you?

Mr. Mackenzie: Yes.

Mr. McGuigan: A self-fulfilling prophesy.

The Chairman: Mr. Wildman.

Mr. Wildman: Just as a matter of interest, Albert may find it useful. I think it would be useful to the Committee if he could have a look at the so-called Rosehart

Committee report, the Advisory Committee on Resource Dependent 'Communities' report.

They made some recommendations with regard to notice and severance pay and layoffs, that kind of thing.

The Chairman: Dr. Rosehart is appearing before the Committee in Thunder Bay.

Okay. One other thing I would like the advice of the Committee on is the week after next, the third week, the last week, we have scheduled three days. One from employer groups, the other for union worker groups and the third day for a wrap-up on instructions to Albert to -- the kind of report we want to have written, and I have under employer groups, I think we should invite the Canadian Federation of Independent Business, the Canadian Manufacturers' Association, The Chamber of Commerce and The Canadian Organization for Small Business. Do we need both those small business organizations? Is there a factor side there if we don't?

Mr. Gillies, you would be more tuned to those organizations. Perhaps you can help us.

Mr. Gillies: Well, they may not agree with you on that, Mr. Chairman. I guess if you are going to invite one of those groups, we should invite both.

The Chairman: I think we should because small business is quite fearful of the restrictions on private organizations.

Mr. Gillies: Both of those groups have considerable membership, and I guess we should offer them both the courtesy of an invitation.

The Chairman: Do we need both the CMA and the Chamber of Commerce?

Mr. Gillies: I would say yes. They have counted some of these issues from different perspectives.

The Chairman: All right. Are there any others that are essential? There would be four employer groups, and they have the day split up. Under the union workers groups, I have the OFL.

Now there is two ways of approaching that. It is to say to the Ontario Federation of Labour, look, would you decide who you want to appear before the committee and split up the time or we could go out and seek specific unions to appear before the committee.

My inclination is to say to the OFL, there is a day

set aside for you in the organizations. How do you want to do it. Any comments on that? Are there any groups other than the OFL and affiliated unions is what I am saying.

Mr. Mackenzie: You can always risk eliminating some if you started to pick. The only obvious case is, and the public could be covered if you do specifically mention them when you call the OFL, are the two biggest unions in the industrial field in terms of plants in Ontario and the largest numbers and that's the auto workers and the steel workers.

The Chairman: I am concerned about the north.

Mr. Wildman: I would add the CPU to that.

The Chairman: All right. Perhaps we could make specific reference to those when we contact the OFL. Is that okay, and then if they want to bring in somebody else, that's up to them.

Mr. Mackenzie: They may want to bring in a machinist or somebody else who has a fair number of plants, but certainly the first two probably have 30, 40, 50 per cent of the plants in Ontario that are working on this.

The Chairman: Anybody not affiliated with the OFL that should be sought out particularly? Okay. Any other comments that should appear before the committee before we move on? Okay.

This morning you should have two packages of material in front of you. One is Select Committee On Plant Shutdowns and Employee Adjustment and the other is Legislation Governing Plant Closures Survey.

My suggestion would be to have Albert take us through this starting with the Work of the Select Committee on Plant Shutdowns, which brings us up to what's happened in Ontario in the last several years, okay?

Albert, it's all yours.

Mr. Nigro: Thank you, Mr. Chairman, members of the Committee. I would like to begin by telling you what you have in front of you. You have four papers. The first is a work on the Select Committee on Employment Adjustments; the second is the Employment Standards Act: Notice of Termination and Severance Pay Requirements with the present Ontario legislation.

The Chairman: That's in the same package?

Mr. Nigro: Yes, the one package has three pages. The third is Minutes to the Payment Standing back

since 1981, i.e. Census; and finally, the fourth paper which is attached separately is a Survey of Plant Closure Legislation.

I would ask that if it's possible that I collect those papers at the end of the meeting because, actually, the footnotes on the paper were not finished so I would like to collect them and I will redistribute the paper before the end of the week with footnotes attached so if I can get that one back, and I apologize for not having it in the complete form. It's the Survey of Legislation.

You have the text of the paper but not the footnotes. It's paper clipped rather than stapled. What I propose to do is discuss each paper in turn. I don't plan on going into a great deal of detail, but I would like to inform the members generally what's in each paper, and if there are any questions, please interrupt me when they arise.

The first paper on the Select Committee on Plant Shutdowns and Employee Adjustment, the matter of plant closings and related issues which refers to the Select Committee on October 28, 1980. The Select Committee met in November and I think December of 1980 and submitted an interim report to the House on December 1st, 1980.

It continued with its hearings through January of 1981, and a draft report was circulated to the committee on January 29th, 1981. However, the Legislature dissolved on February 2nd, 1981 and the draft report was not considered, although a copy of the draft report was tabled in the House in May 1981 after the election.

I would like to discuss first the interim report of the Committee which was the only report that was discussed by the full Committee. The Committee began by being briefed by a number of ministries, and then it undertook some case studies on various plant closings.

If you look on page 2 of the paper, you can see the listing of the case studies. They were felt to be representative of a broad spectrum of different kinds of closures. In the Select Committee's work on the interim report, it made one recommendation which is also listed on page 2. It recommended that the Employment Standards Act be amended to require a minimum severance pay of one week's wages for each year of employment for all layoffs at 50 or more weeks.

As you can note on that paper, that amendment was not, or that proposal was not acted upon immediately, but was, as I was discussing in the third paper, acted upon. The Select Committee in the interim report separated its work into two components: employee adjustment and plant shutdowns, and there were concerns listed under each topic.

If you look at page 3 at the top of that report, the first part of it deals with employee adjustment and deals with questions of things like termination, notice provision, severance pay, pensions, placement of laid off workers and the social impact of plant shutdowns, and the next page on page 4, you see listings on the plant shutdowns; foreign ownership, recession, high costs.

At that time interest rates were rising. I don't think they quite peaked yet, but they were getting very high. Structural changes in the economy, import competition, jurisdiction shopping and a question about information and the lack information on plant closures.

The Chairman: Excuse me, Albert. Is there writing on all of these?

Mr. Nigro: What you see in front of you is the summary of the contents of the interim reports, and they did discuss all of those, but it was in an interim way and it was a very preliminary discussion, so that was the content on those issues.

Finally, in the interim report, the committee posed a list of broad issues that it felt it should consider in its final report, and if you look, there are four points on page 5 in the final paragraphs. How should the cost of plant shutdowns be distributed; to what extent would the imposition of stricter closure requirements affect Ontario's ability to attract new investment; is there a role for government in requiring justification for plant shutdown, closures or in operating plants that are about to be closed; and should Ontario grant preferential access to our market to companies that manufacture in Canada?

Those are the four broad issues that act on the basis of what they discussed in the interim proceedings that they felt they should address in the final report, so the Committee then continued its work in January of 1981. I want to emphasize before discussing the draft report that was ultimately tabled in the house that it was exactly that it was a draft report, and as far as I can tell, it was either officially tabled or discussed by the Committee, and perhaps Mr. Mackenzie can help us there, but it was circulated which I take to mean it was delivered but not tabled before the Committee, and it happened right at the end of the proceedings and the House dissolved less than a week later.

So it was never looked at, and I can't really say, therefore, how much that draft final report would have represented the thinking of the Committee, and indeed if you look at the report, there are alternative recommendations in the report that suggest completely

different options or variations on the same option. The Committee in its --

Mr. Mackenzie: I think at this point in time it might be fair to note in at least a discussion that I think it's currently so outdated, and forgive me for saying that as a member so weak, that for the wide -- an unwritten report that got some wide presentation in Ontario which was submitted by our caucus and with some of our frustration at never having this issue finally debated in the House, so there is a document that is around called the Unwritten Report on the Plant Shutdown Committee.

The Chairman: There is an unwritten report that has been distributed in writing.

Mr. Mackenzie: That's it. That's what we called it at the time.

Mr. Nigro: I have not seen that report actually.

In any event, the committee considered three major topics. The draft report has three major topics in it and I presume they apply. They are the proceedings of the Committee. It looked at the causes of plant shutdown, and under that topic, there were a number of issues that were considered. Short-term cyclical factors, long-term structural factors, foreign ownership and jurisdiction shopping.

They particularly went on to examine what the Committee characterizes as structural weaknesses in the Canadian economy under that topic. Under the cost of plant shutdowns, the Committee looked at the cost to individuals, to communities and to the province as a whole, and they raised the question about whether there should be some sort of tribunal. It was discussed in great detail before which an employer who was planning on shutting down a plant would have to justify the shutdown, and if you look, the draft recommendations are attached as an appendix to that paper and you can see that relation suggests creation of the tribunal and then alternative recommendations suggesting that that would be an undue hindrance and should not be proceeded with.

Finally they looked at the question of employee adjustment, and one of the things they noted is that they were cognizant of the fact that there would be trade-offs in increasing the aid to terminated employees, especially when you are looking at the situation with small businesses, and the committee is aware of the fact that they would have to balance the further protection to employees against the ability of an employer, particularly a small employer, to carry on business.

The one thing I will note about the work of the Select Committee, and I say this with all respect, they certainly covered a very broad range of topics, and I have to say when I first met with Mr. Laughren on the work that I would be doing for the committee, he suggested that perhaps the topics should be narrowed somewhat, and given the work that the select committee got into, I would have to say that I am sympathetic to that notion.

In the examination of the legislation, and we will get into that shortly, if you look at the legislation, it almost always focuses on what the Select Committee would have called employee adjustment. In other words, the questions regarding things like structural weaknesses in the Canadian economy, tariffs and things of that nature, are not usually included in legislation on plant shutdowns and mass terminations, although I do not propose to tell this Committee or anyone else what might be included in legislation.

I simply draw that to your attention when you are looking at what you might want to focus on and what other jurisdictions do.

The Chairman: Do you want to go through the specific recommendations in that interim committee? Was that your intention?

Mr. Nigro: It wasn't my intention to go through the draft recommendations because they were in the alternative. I was not intending on going through it recommendation by recommendation, although I am in your hands.

The Chairman: Normally it doesn't matter to me. The only advantage would be that it would give members a feel for where the Committee was at six years ago. Perhaps can you highlight them, Albert, or do you have to do it in one?

Mr. Nigro: Well, I think if you look at the body of the paper, I discussed those recommendations in general, that that would be a highlighting, otherwise I would have to do them one at a time.

The Chairman: You are talking about on page --

Mr. Nigro: From page 6 through 9, I discussed under each topic with the thrust of the recommendations, and if you would like, I could go through that. Otherwise I would have to go through it recommendation by recommendation.

Mr. Mackenzie: It still represents the most extensive look we have had up to that point in time, the whole issue of plant closures, and there are what, about 12 or 14 specific recommendations that might just as a memory

jogger be worth going through them, and one comment, Mr. Chairman, that's worth putting on record is that the work of that Committee was very much bound up at the time, and this relates to earlier remarks Mr. Nigro said and the whole question of the branch plant type of an economy which we had in Ontario which I don't think has really changed, but certainly has a new dimension with the whole free trade picture that we are now involved in, but that I think the evidence before the Committee was overwhelming, but an awful lot of our problems were in the branch plant area and that it would appear to me that that still is one way or the other the case today.

The Chairman: Okay.

Mr. Gillies: Mr. Chairman, if you feel we have time, I would like to go through the recommendations.

The Chairman: Why don't we.

Mr. Nigro: If you notice the way in the appendix attached to that first paper, the recommendations are broken down by chapter, according to the three topics which I have already discussed, and the recommendations are related recommendations, so in other words, if you look at Recommendation 1(a) it's related to Recommendation 1(b), so with that introduction, I will try to highlight them as best I can, and if you can just stop me if there are any questions.

The first recommendation suggests that the Ontario Government should develop an industrial strategy emphasizing high technology industries and industries to which Ontario is uniquely suited. In addition to that recommendation, a related recommendation was that the government aid and support should be directed to domestic-owned firms.

I think that points out the remarks that Mr. Mackenzie was just making that it was a great concern on the branch plant nature of the Canadian economy as what I said basically as the structural weaknesses in the Canadian economy.

The second recommendation under the causes of plant shutdown are -- 2(a) under that topic was that the Ontario Government's preferential discount of 10 per cent for Canadian suppliers should be increased to 30 to 40 per cent. The related recommendations that follow were that the provincial preferential procurement policy obviously should apply to all corporations and institutions supported financially by the Ontario Government and that the Ontario Government should undertake lobbying efforts to have this preferential procurement policy adopted federally and in other provinces to government and government-funded

projects.

One point I would raise on that.

The Chairman: That relates to free trade.

Mr. Nigro: That was my point.

Mr. Gillies: Quasi tariffs.

The Chairman: Sorry, Albert.

Mr. Nigro: I consulted with the researcher who was on the Free Trade Committee and pointed out there would be problems.

The third set of recommendations on the chapter 1 dealt with the actions by the Ontario Government and suggested -- now if you recall in 1980, '81, there was a severe recession going on and it was particularly hurting Ontario manufacturers because of the nature of the recession and the extent of the recession in the US which is the largest market.

So the Committee recommended that the Ontario Government undertake expansionary fiscal policies including a large public works program and direct investment in promising firms with capital needs.

It also recommended there be a sales tax reduction for specific industries which have been hurt by drops in consumer demand.

Mr. Wildman: Interjection. I think along with you, Mr. Chairman, the northern representation, and I think Mr. Hennessy is also on this committee, on the committee that we have to approach the situation in the Ontario economy today from the point of view that we still have a recession in northern Ontario, and I think it's important for us, particularly for the members from the southern part of the province, to recognize that the recession has not ended in the north but it has deepened and worsened and it's significant that the Rosehart Committee made a recommendation very similar to 3(d) in relation to the north.

Mr. Nigro: On the second chapter, the costs of plant shutdowns, again reflecting some of the concerns of foreign ownership, the first recommendation the Committee made was that subsidiaries of foreign corporations operating in Ontario under the Ontario Corporations Act be required to make as full a public disclosure as is required for corporations which publicly trade shares in Ontario.

So in other words where you have the situation where a corporation is a fully-owned subsidiary of an American

corporation and not publicly traded, there is a limited amount of information that would be available, and we are saying that the information should be at least as complete as those that are publicly traded, those corporations that are publicly traded.

We also suggested that a provincially funded study should be undertaken to ascertain the full social costs of plant shutdowns and indefinite layoffs in the Windsor area. This study should include a profile of subsequent tracking of the affected employees, the impact on social services in the area and costs including lost revenue borne by all levels of government.

Under the same concerns, it was suggested that the employer be required to notify the Ministry of Labour of any layoffs of ten or more employees.

In the body of its report, the committee was very concerned or expressed concern over the lack of information or comprehensive information available presently in the province, and I don't actually know how much that situation has changed.

Mr. Wildman: Well, it has changed in the Windsor area, but there are other communities that are in a similar situation now such as Sault Ste. Marie, for instance.

There was an M.A. thesis done, which may be of use to you, on the social costs of the plant shutdowns and layoffs in the Windsor area by Miss Anne O'Connor at the University of Windsor at that time, and she is now in Sault Ste. Marie. That's why I know of it.

Mr. Mackenzie: It appears to me also, Mr. Chairman, and I could be wrong on this, but I think my colleague, Richard Johnson, has from time to time quoted from a tracking that was done, but I am not sure how total it was, with one of the plants in the Toronto area, and I believe -- I am not sure that was a ministry study, but I believe they may have been involved. There was some work done on one of the plant closures in Toronto as well, and I know there is a fair amount of work available on the Consolidated Bathurst plant in Hamilton.

Mr. Nigro: Just if I can interject, when I did the background work on the committee, there are a number of background studies that were done on individual case studies of plant closings.

The Consolidated Bathurst one I think is probably the most comprehensive Canadian study, and there are a number of Americans ones as well, but I didn't do a case-by-case study.

On the third set of recommendations under chapter 2, it was recommended that a firm planning of plant shutdown or mass layoff be required to appear before a public tribunal appointed by the Provincial Government. The appearance would be required before the firm issues notices out to its employees as required under the Employment Standards Act.

It was suggested that at this hearing, the firm would be required to give the reasons for the shutdown decision, suggest proposals which would allow the enterprise to remain viable and discuss the likely viability of the enterprise as a separate entity.

We raised that question and it was recommended that the public tribunal would have the authority to advise Cabinet, to recommend that the Ontario Development Corporation should enter into negotiations with the firm in order to purchase the plant or division if it was felt to be a viable operation as a single entity, and again we are getting into what I consider branch plants there.

Further related to the public tribunal, it was suggested that if you empower to undertake steps to estimate the cost to society of the shutdown decision. Similarly, these costs would be compared to the costs of keeping the operation open.

I was just going to point out that the fourth recommendation would be a public tribunal before which plant closings would have to be justified as an unworkable concept and would be harmful in the long run.

Mr. Wildman: Again, the Rosehart committee suggested a commissioner which would have similar powers to the one proposed, to the tribunal proposed here.

Mr. Nigro: The commission is suggesting the Rosehart Committee was, I think, based on a pilot project in British Columbia.

Mr. Wildman: British Columbia has a commissioner of Strategic Industries, I think it's called, and he has worked I think on six particular closures of plants in single industry towns in British Columbia out of a possible fifty some.

Mr. Nigro: I am trying to get that information fully.

Mr. Wildman: Art Phillips is his name. He used to be the mayor of Vancouver.

Mr. McGuigan: He is a one-man?

Mr. Wildman: He has a staff of course, and it's not a large staff, and he has the option of hiring or contracting with accountants and consultants who know the industry and those kinds of things.

Mr. Nigro: On the final chapter on the employee adjustment chapter, the first recommendation is that the present notice provisions in the Employment Standards Act should not be increased.

The second recommendation suggested temporary notice as defined in the regulations of the Employment Standards Act be reduced to eight weeks in length. I believe at the time the temporary notice was 13 weeks, but I am not sure.

The third recommendation is the notice of termination period as provided for under the Employment Standards Act should not begin until the employee is notified of his/her permanent termination.

The fourth recommendation, and there is a series, as you can see, of six recommendations there, which deal with the issue of pensions.

Mr. Wildman: There is one thing that I have been concerned about for some time, and I was when I was on the Rosehart Committee, and that is the question, and I think this committee has to consider it, the question is: When does a temporary layoff become a permanent layoff? There are people, I will use Sault Ste. Marie, Algoma Steel as an example, there are people who are under so-called temporary layoff because of the collective agreement provisions for recall that they have who are never going to get back to work for that company, and yet it's still a so-called temporary layoff and so the provisions of the act would apply to termination and do not come into effect, and I think that's something that is very difficult to deal with but it's something that we should be considering.

Mr. Gillies: I could not agree more with what Bud has just said. I have workers in Brantford for Massey-Ferguson who have been on "temporary layoffs" some of them since 1980, and if an employee is honest when he goes to apply for another job and shows his or her employment still as being Massey, --

Mr. Wildman: And he has recall rights.

Mr. Gillies: And has recall rights, you wouldn't believe what a barrier that is to getting another job because Massey, when you are working there, when you are lucky enough to be working there, it's a very well-paying industry. You go to working for some other small machine shop or something and the guy says, I don't want you. As soon as you get recalled, you are going to go back to

Massey and leave me in the murk.

The other problem is simply that, you know, some of these employees don't want to be on the role at that plant any more. They are pleading for their pay slip. They want to be terminated, they want their severance pay and they want out and they can't get it. And you know, --

Mr. McGuigan: Have you tried for pay equity?

Mr. Gillies: Well, it's not that easy. There are all sorts of ramifications with benefits and so on. They have taken this to the company, they've taken it to their union, they've taken it to the ministry, they've taken it to me, the federal member. Everybody is stymied on this one, and I agree with you. It's a real problem.

Mr. Wildman: It's a difficult one for the union to deal with.

Mr. Gillies: Very difficult.

Mr. Nigro: As I was saying, the fourth recommendation, the six recommendations under that number, all deal with the issue of pensions in the first chapter.

The Committee recommended that the recommendations of the final report of the Royal Commission on the Status of Pensions be endorsed and that steps be taken to implement those recommendations as soon as possible.

The Committee then went into a series of alternative recommendations on the vesting period under pension legislation. The first one was that vesting requirements be reduced to age 40 or ten years' of service. The second was that vesting requirements be reduced to five years' service with no age restrictions, and the third which is Recommendation 4(d) be that vesting requirements be reduced to age 30 and two years' service.

The fifth requirement under the pension topic was that benefit increases over the last three years should also be guaranteed by the pension guarantee fund, and finally, that full portability of pension benefits should be implemented.

The fifth topic considered under the employee adjustment, it was recommended that a minimum severance pay of one week's wages for each year of service be required for all terminations of 50 or more workers. Secondly, that severance pay of one week's wages for each year of service for all terminations by firms with 100 or more workers.

Still dealing with severance pay, it was recommended that severance pay not be assessed when the firm goes out

of business because of insolvency or bankruptcy.

5(d). Severance pay should apply where a firm is closing down an operation but is continuing to supply the market from another location. It would not apply where employees were offered employment without loss of seniority and benefits at the new location plus relocation payments agreed to by the employee. That recommendation refers to the concern of the Committee where warehousing operations were being set up as part of the overall concern with the branch plant nature of the Ontario economy.

5(e) dealt with severance pay should be assessed when a firm closes down operations in this province and continues to serve the market from outside the country. This would apply even if the new products could be supplied to market from offshore were substantially different.

Recommendation 6 recommended that the Employment Standards Act be amended to empower the Minister of Labour to compel employers to participate in a manpower adjustment committee where this would benefit employees. An amendment was made to the Act subsequent to the Committee's work, which I will be discussing later.

Under Recommendation 7, it was recommended that when a firm is allowed to bring in highly skilled workers from offshore because Canadians with the skills are not available, they should be compelled to undertake an apprenticeship program in this area for an equal number of Canadians. And there was concern about this manpower supply. They recommended that there be a statutory requirement that all employees file all their job vacancies with Employment and Immigration Canada.

Finally, the last set of recommendations. Recommendation 8, there are three recommendations. It was recommended that severance pay claims have an attachment on assets as wages owed do. In other words, they'd be treated as protected under the Act.

Firms be required to set aside one week's pay for each employee for each year of service in a trust fund, and finally, that insurance plans be set up by government or by private insurers whereby firms contribute an actuarially determined amount. Firms would be able to withdraw the required amount from the fund when needed to make severance payments, so the last three set of recommendations deal with severance pay.

The Chairman: That basically would set recommendations that the Committee was going to consider and weed out.

Mr. Wildman: Yes.

Mr. McGuigan: Mr. Chairman, 7(b), the statutory requirement that all employers file all their job vacancies with Employment and Immigration Canada, and then going back to 7(a), I think it's the practice that if you are going to bring in foreign workers, you can only do that after you have canvassed all the employment offices right across Canada.

The Chairman: You have to undertake an apprenticeship program.

Mr. Mackenzie: Honoured in the brief then, not in the question, the situation where we are bringing in offshore workers to do supervisory jobs and the supervisors are being bumped back, and they seem to have no problem at all with permits and Immigration handling about five, ten examples right at the moment.

Mr. McGuigan: I am quite sure they are supposed to canvass everyone.

Mr. Mackenzie: Well, if you want to talk to Immigration people and find out what kind of an answer you're going to get.

Mr. Wildman: The import quota as I recall was to try and encourage apprenticeship programs because we were in a situation where we had young people who could not find work and didn't have the skills that were required by some companies and they were having to import skilled labour from Germany.

Mr. McGuigan: I don't disagree with that at all.

The Chairman: Mr. Gillies.

Mr. Gillies: Mr. Chairman, under 5(a) and by extension some of the other recommendations on severance, I just thought members of the Committee would want to be aware that we discussed this question of the 50-and-over clause in severance pay at some length, Mr. Mackenzie and I and the Minister in labour estimates.

It has always been my feeling, at least since I have been here, and I haven't been very successful at convincing either government, that this loophole is just that. That we have a situation.

I think the intention was that very small companies terminating small numbers of employees would find this overly onerous to have to meet this requirement, but I wonder how many other members have seen the actual practice which is often in the case of a large company terminating. In my case in the riding I know of cases where 150, 200

people have been terminated in lots of 49 or less staggered over a period of time solely for the purpose of evading the severance pay provisions.

Mr. Mackenzie: One of the regular loopholes.

Mr. Gillies: It's a much used loophole, and I did ask for some statistics from the ministry a couple of years ago, and I think maybe we could get those again, Albert, but I think members would be shocked to see the very small percentage of Ontario workers terminated whoever benefit from our severance pay provisions. It's just miniscule.

The Chairman: You might want to raise that this afternoon with the Ministry of Labour people too.

Mr. Gillies: Yes, but I think a few of us in the House have been on a bit of a crusade for some time now to have this loophole closed, and I would hope we might consider that as one of our recommendations in this Committee.

The Chairman: Okay.

Mr. Mackenzie: Mr. Chairman, I think the severance issue also has got to tie in with the responsibility to the employees, and my concern as I tried to express in terms of the plant takeovers and shutdowns is that those may be more specific cases, but there are a large number of the closures that are happening.

The company is usually better off; the favourite expression is leaner and meaner, more competitive. In many cases they are shutting down competition. Competition in the case of the Kirsch plant that had been there for 41 years and effective competition.

The stockholders aren't losing anything. They are gaining as well as the company in the leaner and meaner operation. The banks or whoever may be holding any loans aren't making any sacrifices. The sacrifice is totally that of the workers and to some extent their community, and either we are going to do it through reimbursement until such time as they are reemployed which may put some pressure on to find other jobs for them as well.

We have started that with the severance pay, and I think it's going to have to cover smaller than 50 units and I think it's going to have to continue longer if necessary than the 26 weeks if there is going to be any responsibility in terms of a corporate rationalization decision where workers are the losers.

The Chairman: Well, we can get these things around in a very preliminary way now, but let's keep in mind that

we are not writing a report at this point. We're just summarizing it.

Okay, Albert.

Mr. Nigro: Starting with the Committee, Mr. Chairman, I would like to move on to the second paper that was in that first group and it deals with the requirements present under the Employment Standards Act and Notice of Termination and Severance Pay.

Under the Notice of Termination, I am beginning a discussion on a topic which the Committee has already raised. That is a temporary layoff versus permanent layoffs. I would just like to go through that first paragraph on page 1, since the members of the Committee have already expressed a concern about it.

There is no distinction made on Notice of Termination provisions in the Act on the basis of a reason for the termination, however, there is a distinction between a temporary layoff and termination of employment, and only when there is termination of employment does notice have to be given.

A temporary layoff according to the regulations means a layoff of not more than 13 weeks, a layoff of greater than 13 weeks where the person continues to receive payments, the employer continues to pay the person's benefits or the person receives or is entitled to receive supplementary unemployment benefits and a layoff of more than 13 weeks where the person is recalled within the period fixed by the Director.

As far as I know, that regulation was the same in 1981 as it is now. In fact, I am fairly sure that it is.

Mr. Wildman: That is the third one.

Mr. Nigro: It's 13 weeks except under certain circumstances.

Mr. Wildman: Yes, but the last exception is the one that's the real problem. The guy has got a recall right.

Mr. Nigro: And as you can see, the termination of employment however is defined as including a layoff for a period for longer than a temporary layoff, and that's all it is defined as, so that's a situation which exists today in Ontario.

In any event, the Act in general in terms of notice of termination distinguishes between what I call a minor layoff and what might be called a major termination. As far as a minor termination, which is section 40(1) of the

Act, the notice to employees is as follows on an escalating scale: One week if an employee has been an employee for less than two years; two weeks for an employee with two to five years' service; four weeks for an employee with five to ten years' service; and eight weeks for an employee with ten or more years' service. So that's the amount of termination that an employer must give in a layoff situation or termination.

A major termination which is section 40(2) and the regulations thereunder deals with the termination of 50 or more employees in a period of four weeks or less. That's called a major termination. Under that provision, the notice should be 8 weeks for 50 to 200 people, 12 weeks for 200 to 500 people and 16 weeks for termination of 500 or more employees.

Notice must also be given to the Minister in the case of a major termination. I don't want to go through all of the provisions of the termination provisions in the Employment Standards Act. Just a couple of features that I would like to highlight, if I may.

The Chairman: Excuse me, Albert. That distinction between major and minor, was it made primarily because of the impact on the community? The workers are the same. It hurts the worker as much if he works for a small firm.

Mr. Wildman: Yes, because of the effects on the community.

The Chairman: It must have been the community aspect of it.

Mr. Nigro: Mr. Chairman, that section predates the work of the Select Committee, and I honestly don't know why it was there.

Mr. Wildman: The worker can always console himself with knowing that he was only part of a minor layoff.

Mr. Nigro: The other features of the Act, the section I would like to point out is section 40(5) which deals with the recommendation raised by the Select Committee. I will give them to you in a little bit more detail in a moment.

But on page 3, the Act now requires in the second full paragraph, the second paragraph on page 3 dealing with the second section or sentence rather, the Act now requires that upon request of the minister, when an employer terminates or proposes to terminate employees in order to facilitate the re-establishment of the employees, the employer must participate in such measures as the minister may direct, must participate in the establishment and work

of a committee upon such terms as the minister considers necessary and must contribute to the cost of such a committee in an amount that the minister directs.

That's a new provision in the Act and deals with the question of employee adjustment. The nature of the committee is not specified in the Act, but it deals with re-employment of employees.

Another feature of the Act is that under section 40 subsection 7, an employee may receive payment in lieu of notice for what would be the statutory period of notice. Unless there are questions under the termination of notice or notice of termination provisions, I would like to move on to severance pay.

Mr. Mackenzie: That committee that we are referring to in the middle of page 3, nobody is going to argue against it. The maximum I have ever seen involved in it is from one to three employees hired temporarily to pull together the efforts and help -- sort of a self-help effort on the part of the employees, and while it was raised as a major issue at the time we got it, it has really been, in my opinion, of minimal help.

The only place I know that there was a real effort made and it didn't have very much to do in terms of new employment, but was in the Consolidated Bathurst case and it's one of the reasons why we have a little more information on that particular plant shutdown than we do in many others.

Mr. Wildman: There is a committee in operation in Wawa right now.

Mr. Nigro: Moving on to severance pay, if I might.

The severance pay requirements were introduced after the work of the Select Committee, and basically the Act now provides where 50 or more employees are terminated in a period of six months or less and the terminations are caused by the discontinuance of all or part of the business, an employer must pay severance pay to a terminated employee who has been employed for five or more years in an amount equal to a regular week's wages multiplied by the number of years of employment with the employer to a maximum of 26 years.

So in other words, if you are eligible for severance pay, you can get between a minimum of five weeks of pay and a maximum of 26 weeks' pay or a half a year's pay.

I would also point out that the Act has been -- this is an amendment to the Act since the work of the Select Committee has been -- or since the severance pay requirements were introduced to having an election

procedure which deals with the situation Mr. Wildman raised at least in part.

Under the severance pay provisions as they now exist, an employee can elect to receive severance pay in which case the right to recall is deemed to be waived and the employee receives the funds immediately. Otherwise, the money goes to the Director under the Act. When the employee elects to keep the right to recall or fails to make an election, and I suspect the latter category rises fairly often or is raised fairly often, when that happens, the money is paid to the employer. When the employee accepts employment under the right to recall or the employee informs the Director in writing within 12 months that he elects the right to be recalled, otherwise, the money is paid to the employee. In any other case, the money is paid to the employee.

So that is the severance pay requirements as they exist under the present Act.

The Chairman: Okay.

Mr. Nigro: If I can move on to the third paper then, the Amendments to the Employment Standards Act since 1981. The object of the paper of course is to look at the changes in the Employment Standards Act since the work of the Select Committee so that the year 1981 is selected for that reason.

The paper is composed of two parts: Part one, which is an overview and a discussion of the major changes, and part two, which essentially lists the changes. The legislation as it exists prior to the change with a few explanatory notes. Part two really provides a lot of detail for those that wish to go into it, but I think if we looked at part one, you will get a sense of what changes were made in the Act since 1981.

Probably the changes that most directly dealt with concerns raised by the Select Committee were introduced through Bill 95 which was enacted in 1981. There were two components to the changes that were introduced in that bill. One dealt with notice of termination and the other dealt with severance pay. Actually, that was the bill that introduced the severance pay requirements.

Under notification, section 40(5) was substantially altered requiring employers to participate with the Minister in re-establishing employees in employment, and this section was not restricted to major layoffs, which it's predecessor was. In fact, that was the section which substantially altered the ability of the Minister to require the participation of an employer in a committee where there was going to be a layoff.

It is not restricted, as I say, to major layoffs, although one would suspect that that's where it would most often arise.

The second part under the Notice of Termination Provisions that were changed by Bill 95 was requiring to maintain benefit plans which is section 40(6), paragraph B, subsection 2; in other words, in the situation where an employee is receiving -- during a notice of termination period, the employer is also required to maintain the benefit plans that exist as part of the contract of employment which was not clear under the predecessor Act.

In the severance pay changes made in Bill 95, essentially what happened was that the severance pay requirements as I just went through were introduced, and it requires that the severance pay is to be paid where 50 or more employees are terminated in the four-week period because of the permanent discontinuance of all or part of the business.

There has only been one amendment to the changes since that time, and I will go into that in a moment. Are there any questions under the changes in Bill 95?

If you can look at Bill 62 on page 3 of that paper, I dealt with changes to the severance pay requirements, and basically what happened in that bill was that there was an introduction of the right of an election as I just discussed under the previous paper wherein the employee who is to be terminated has the right to maintain for a limited period of time an election as to whether he is paid severance pay or whether to have the right of recall.

Under the Act as it was amended in Bill 62, an employee who elects to be paid severance pay, he receives it immediately. This is deemed to waive the right of recall. Otherwise, the severance pay is paid to the director trust who pays it to the employer where the employee elects to access the right of recall within the statutory period or, alternatively, informs the director of the decision to maintain the right of recall in writing.

In all of the cases it's paid to the employee. That was a new wrinkle to the severance pay requirements under the bill and was introduced, as I say, in 1984 in Bill 62.

Finally there was a fairly significant change made to the regulations. On page 4 Regulation 286. The most significant change was to working on the termination date and the required notice. Originally if a worker worked more than the notice period, beyond the termination date, the clock would essentially have to run again on when notice would have to be served.

That section of the regulations was initially changed so that a worker could work up to 13 weeks beyond the notice of termination period without the clock being restarted, and that section was subsequently changed so that a worker could work beyond the 13 weeks with the approval of the director, and that's listed on page 4.

If you look about two-thirds of the way down the first paragraph, a second change permitted temporary assignments of greater than 13 weeks with the approval of the director. Such approval may be granted only where the director is satisfied that the request is made in good faith and it's reasonable, that the request is not intended to have the effect of defeating the intent and purpose of the Act and that the failure to grant approval would result in the loss of employment opportunities.

Mr. Wildman: So that means that a worker could work well beyond the time of notice, and the company, if they had this permission from the director, would not have to issue a notice again if they later decided to lay him off?

Mr. Nigro: That's my understanding of the regulation.

The Chairman: Okay.

Mr. Nigro: Finally, I would like to deal briefly, if I could, with the Survey on Legislation covering plant closures. It's the paper that wasn't part of the package, and it's only paper clipped on the top. As I said earlier, I would like to try to collect those, and I will redistribute them when the footnotes are ready later this week.

The one I am doing now, and I do once again apologize to the Committee for the footnotes not being ready.

The Chairman: The committee is not big on footnotes anyway.

Mr. Wildman: The Committee does not want to become a footnote.

Mr. Nigro: I would like to stress that this paper is a survey of legislation in the various jurisdictions. It is not a detailed analysis of the legislation, and I don't want to mislead the Committee in stating that I am some kind of expert on all of the jurisdictions that are surveyed there. I pulled together the materials as best I could. The Canadian materials are quite complete. The US materials I think are fairly good. The European jurisdictions, it's always harder to gather information from Europe, so they are not as current as the other jurisdictions, but the information that I have is no older

than 1986 and in some cases it's 1986, and that's when the footnotes are ready, that will be revealed in the footnotes.

The paper surveys Canada, it surveys all of the provinces plus the federal government and one territory, the Yukon. It does not include Ontario because that was discussed in a separate paper. It surveys the United States including the state legislatures and some local ordinances, and in Europe, I looked at the European community generally.

Two examples are the United Kingdom and Germany and finally I looked at Sweden which is a non-community member, an industrial country in northern Europe.

Under Canada, there are several jurisdictions which are most recently called group termination provisions. They are the federal government, Ontario, Manitoba, Quebec, New Brunswick, Nova Scotia, Newfoundland and the Yukon.

If you turn to page 15 through 19 of that paper, what I tried to do is provide a bit of a table on those jurisdictions which do have group termination notice requirements, so it's a chart. I have included Ontario on that chart even though Ontario is not in the body of the paper, per se, as I say because it was in the earlier paper.

A survey or at least an overview of those regulations as they exist is that they can -- in general you can think of those recommendations as being continuing. On the one side you have jurisdictions where the statute simply deals with the extended pre-notification periods. In other words, where there is longer periods of notice of termination, where there is a mass termination as defined in the Act.

Those jurisdictions include Nova Scotia and I think New Brunswick and Newfoundland. On the other side, what you have is a pre-notification provision, but the thrust of the legislation deals with the establishment of an adjustment committee to help redundant employees adjust to the loss of employment, and the jurisdictions that are included under that topic or under that approach would be the federal government's legislation, Manitoba and Quebec being the other prime examples.

Ontario falls somewhere in the middle of those two. The legislation that deals with mass terminations per se or major layoffs is only legislation that deals with pre-notification.

However, the act also contains a requirement for the establishment of a committee. That requirement is not

nearly as -- the provisions under the requirement are not nearly as broad or not nearly as extensive as those which exist in Manitoba, in the Federal Government or Quebec, but the Ontario legislation does permit the establishment of some kind of committee and that committee is not limited to the mass termination situation.

So as you can see, Ontario would fall roughly in the middle of the continuum of legislation that deals with mass terminations in Canada.

Unless there are specific questions on the legislation, and you can see that it is summarizing on those four pages, I would like to move on to the US.

In the US and in the federal jurisdiction, there is virtually no legislation that deals with the question of either mass terminations or plant closures, not in a direct way in terms of employee adjustment legislation or notice of termination. There has been a lot of discussion on the issue, and there has been I think legislation proposed in every congress since 1974 to deal with the issue. None of it has ever passed. It was finally a deal that was voted on and was defeated by a vote of 203 to 208.

I believe that bill is -- yes, it was defeated in November of 1985.

The Chairman: What was the count?

Mr. Nigro: 203 to 208. In other words, the no's won.

There are some US states, however, which do have either legislation or in some cases programs that were introduced by executive action. I would like to pause here for a moment and point out that in the discussion under Canada, I included a brief discussion under a federal government program under the Canada Employment and Immigration Services that deals with establishing a committee where there is a plant closure or having a program available which would, among other things, would be able to establish a committee where there has been a plant closure or shutdown to assist an employee adjustment.

That's a program which has no statutory basis in the sense of a single program having a statutory basis, and the only reason I mention it and include it is because you'll find that in The Member of the American Lawmakers, they refer to the Canadian model. As far as I can tell, that's usually what they are referring to. A program which is not legislatively mandated and deals with closures on a plant-by-plant basis.

Okay. Included in the local legislation as well are

two city ordinances. One in Philadelphia and one in Bakerville, California. The reason why I have included those two ordinances is according to the American literature that I've seen, they are considered quite well known, and I think there are other local governments which have legislation as well.

Having said that, I have looked at the legislation in Maryland, Michigan, Connecticut, Illinois, Maine, Wisconsin and Massachusetts. Those are the states with legislation, and New York state and New Jersey both have introduced programs that are non-legislative in nature. They are introduced by way of the executive branch of the local government or state government.

The features of the programs or the legislation vary between the states, but some of the common features include advance notification requirements, which you would expect in most situations. That's occasionally voluntary. In the US, we have extended health plan coverage to terminated employees for a period of 90 days or 120 days depending on the legislation. Again, that's a, if I may say so, a uniquely American situation because of the extending of health care plan coverage would not be as much an issue in Canada, for example.

They also have in some states, in a couple of states at least, they have assistance to employees who wish to purchase plants in the case of a plant that is planning to be closed. I would point out that Manitoba has also recently introduced a program that would assist. That is a program that has new legislative under-opinions as far as I can tell and has only been very recently introduced.

Mr. Wildman: Is that the -- in Manitoba there is a mining tax reserve fund.

Mr. Nigro: The program is called the Employment Co-operative Program discussed at page 10 of the paper, and without the footnotes, I can't really say for sure, but I think it was introduced in the fall of this year and it deals with assisting employees who wish to purchase a plant that has gone either into insolvency or is going to simply close down.

My understanding from the discussion with the director of the program was the insolvency situation is the one that they think will be most successful.

Mr. Wildman: Well, it would be useful I think to look at the mining tax reserve fund in Manitoba as well because there they require a portion of the mining tax to be put into a fund administered by the government which then can be used to help mining communities adjust when and if the mine shuts down. It hasn't been used extensively.

far as the compensation in Germany where there is a redundancy, the literature indicates that many employees, indeed the majority of blue collar employees, will get compensation either through their collective agreement or through the social compensation plans, but that is not statutorily mandated.

In the United Kingdom, you will find that again it complies with the European Community directive but in a different way so it's an interesting contrast. The table is found on page 38.

In the case of collective redundancy, there is notification to the Department of Employment of at least 30 days before dismissal where the dismissal involves ten more employees or 90 days if 100 or more employees are affected. There are also requirements that there be consultation with representatives of the recognized trade union or trade unions over the same period of time, so you can contrast that with the situation in Germany where there must be consultation and negotiation with the works council prior to the notification of the government agency with the situation in the United Kingdom where the notification takes place at the same time as, and it is consultation rather than negotiations in the United Kingdom.

The notice periods for employees are listed in that table. The statutory minimums are one week for an employee of up to two years' service and one week per year for an employee of between two and 11 years of service and a maximum of 12 weeks for any employee employed for 12 weeks or greater.

There is also in the United Kingdom statutory redundancy payments for individual employees, and if you are not able to collect that in the case of insolvency, there is a fund you can apply to. There is quite a complicated formula for calculation of severance pay in the United Kingdom. If you look on page 34 of the paper, the second paragraph there, it explains how it works.

I think I would just like to say that the maximum remuneration considered is 155 pounds per week and that the maximum award is 4,650 pounds which I think in Canadian dollars would be roughly \$9,000, and the formula of how that is worked out is listed on page 34. It's explained on page 34.

Finally, the last jurisdiction in Europe that I looked at is in Sweden. The Swedish legislation or the Swedish situation is quite different from the situation in the European Community countries. I think that difference is highlighted by the notion that in Sweden, the concept of a "right to work" exists and is prevalent and is, I guess, the predominant notion.

Mr. Wildman: It's not the same as the right to work in the southern states either.

Mr. Nigro: Yes, I think that's right. Under the Swedish situation, the employer is required to notify the labour board and negotiate with the union in the case of a redundancy or a mass termination.

I might point out that a redundancy is always treated as a reason for dismissal as a lack of work and numbers don't enter into it. If you are dismissed for lack of work, you're dismissed for lack of work and the procedures are the same. It doesn't matter if 100 people are being dismissed or one person is being dismissed.

The notice period is at least two months, and that is under the collective agreements. It's not done statutorily. As you can see, the lists in that table show what notice periods generally are and increases with the age of the workers.

Mr. Wildman: It has nothing to do with how long they worked.

Mr. Nigro: Yes, and I'd also note that many collective agreements in Sweden are negotiated nationally, so when we talk prevailing the collective agreements, we are talking about agreements that apply throughout large sections of the country and cover a great number of employees.

Finally, there is no statutory provision for the pain on dismissal of an employee, but that may be negotiated. From my information on the Swedish situation is that in fact that issue usually is negotiated, and there is now a special fund that is administered by a company that has been established by a federation of employees and federation of employers that appears to be something like an insurance company and it covers a number of benefits to workers in Sweden including severance pay in the case of dismissal for lack of work.

The Chairman: As for Mr. Wildman, the committee should know that he served on a committee that actually travelled to another jurisdiction.

Mr. Wildman.

Mr. Wildman: We visited Sweden, and there is a number of differences. First, there is a consensus there among the whole of the society of the employers and the employees that everybody should have a job. They have an unemployment rate of somewhere in the neighbourhood of 3 to 4 per cent and they consider that high.

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If the unemployment rate were to go over 4 per cent, they would consider that a catastrophe.

We had discussions with a small employer, a furniture manufacturer that employed I think 35 people, and he made it clear that he wasn't necessarily happy with this situation, but he made it clear that it's almost impossible to fire somebody in Sweden.

The other major difference is that 95 per cent of the work force is unionized, so that's why there is less emphasis on statutory requirements than there is on collective agreements, and most of the time contracts are not negotiated by individual workers' local unions and the individual employing firm, but rather they are negotiated nationally as you indicated.

For instance, in this particular furniture manufacturer's situation, his company was a member of the Federation of Forestry Manufacturers, and his workers were members of the lumber union, and the agreement between his firm and his employees was negotiated as part of a national contract between the forestry manufacturers and the lumber union.

He was not directly involved in negotiations and neither were his employees. Subsequent to the national contract, they do negotiate local provisions for their own firm, but in terms of questions of rates of pay, benefits, severance, layoffs, provisions, those are all negotiated nationally.

We asked him what he thought -- they had just finished negotiating, as a matter of fact. They just reached an agreement not long before we were there. We asked what he thought of it. Well, he didn't like the contract. They got too much money and they had too many holidays and so on, and we asked him what he can do about it and he said, well, there is nothing I can do about it, but he just felt that the Federation of Forestry Manufacturers would have to be tougher in their next negotiation.

On the other hand, there are almost no strikes. There have been more in the last few years, but they have a very low strike incidence. So obviously it's a very different type of atmosphere in which to deal with these problems of layoffs and so on.

But in essence, if a person is laid off, the employer as a result of the collective agreements basically has to find him another job or training. You could get the person into a training program which would qualify them for another job that's available.

If, however, there is no work available and there is

nothing, then they have a large number of programs under the government for training and so on and "make work" projects. A person can get onto a "make work" project in which he is paid, I believe, I am doing this from memory, but I think he is paid the same amount that he was paid in his former job. It doesn't matter how much --

Mr. Mackenzie: 95 per cent.

Mr. Wildman: 95 per cent, and if he is off work for six months and he gets that pay, then he can go on to a six month training program, but those kinds of things don't happen very often because the majority, they gave us statistics, the majority of people that are out of work find another job because of the efforts of employers and so on within about three weeks.

The Chairman: It's like a sickness, accident and unemployment scheme.

Mr. Wildman: No, it's just that they have a consensus. We found this on both sides of the political and economic spectrum. A consensus that it is not good for Sweden to have people out of work and that everybody should be working.

The Chairman: Your supplementary to that?

Mr. McKessock: Do they have unemployment insurance in Sweden?

Mr. Wildman: No, -- well, they have an insurance plan but it's negotiated. It's not government. It's negotiated.

Mr. McKessock: Maybe that's the answer --

Mr. Wildman: Well, in order to do that --

Mr. Mackenzie: I want to put aside that everybody has to --

Mr. Wildman: Bob, there are two things that are important to consider in that regard, and I think all of us in the Committee and there were people from all sides of the political spectrum on our committee, we found that there is two things.

You have to have the consensus that everybody should be working and, No. 2, you have to have everybody organized. You have got 95 per cent of the workers organized and they negotiate -- in fact, the employers are organized too. It's as if the Canadian Manufacturers Association negotiated with the Ontario Federation of Labour instead of having Stelco negotiating with their steelworkers' local or so on. That's the way it works.

The Chairman: What about farm workers? Do you know?

Mr. Wildman: I'm not sure of the answer to that question.

The Chairman: Mr. Offer, do you have a supplementary?

Mr. Offer: Mr. Chairman, through you to Bob, in explaining the situation, you were saying that the employer is part of a certain association. The employees are part of an employees' association, and the negotiation when the arrangement is completed, it would apply to not only that single employer, but all employers in the association and all employees and the actual particular employer is just a part of the whole system?

Mr. Wildman: It's just as I said. The Canadian Manufacturers Association negotiating with the Ontario Federation of Labour. The Canadian Manufacturers Association negotiating with District 6 of the United Steelworkers for all of the steel plants in Ontario.

Mr. Offer: I would just like to ask questions, if I can, on that.

No. 1, how long does it take for these particular agreements to be arrived at? Did you get any sense as to the type of negotiations that are entered into and, secondly, you alluded to the fact that there are sometimes almost supplementary type of agreements between the particular employer and the employee.

Is it your sense that those are gaining a great report as opposed to the umbrella?

Mr. Wildman: No, they have to deal with the implementation of the overall agreement and with local issues. Like, there are local issues related to that particular plant that will probably not be similar to other plants, and so that employer has a responsibility to negotiate and arrive at agreements on those matters and to implement those, but it's a very different culture and economic situation.

The significant differences, as I saw it, and we were only there a short time, so I am not an expert on it, was a consensus that there should be full employment and very strong national unions negotiating with national organizations of employers and very few unorganized workers in all sectors, and I am not sure, but I think that would apply to the farm sector as well and certainly to the service sector.

How long the negotiations take, I don't know. I

understood that these negotiations that had just been completed were all ongoing and taken about a year to negotiate the agreement, and they used to have very few strikes because when there is a strike, it's a national strike. I mean, all of the lumber manufacturers would be shut down although they tend to identify a particular manufacturer and say, we will call our workers out from those plants and that wouldn't necessarily shut down everybody, but in many cases then, the employers' organization if that happened, might lock out some of their workers, but there are very few strikes because if they are national, the whole issue then becomes national in scope.

The Chairman: Mr. Mackenzie.

Mr. Mackenzie: There are two or three things to add to what Bud has raised because the last Plant Shutdown Committee met with the Swedish labour attache for a couple hours' meeting here a number of years ago.

There was a woman at the time I recall it and I had a very interesting conversation on this whole matter. Bud is more up to date than our trip to Sweden which was way back in '77, but we also talked about this situation with them, and the key to it is, one, the commitment that everybody is entitled to a job. Two, the economic planning and economic strategy that was talked about in one of our recommendations where, amongst other things, they had the country split into seven regional labour bodies, and the companies are required yearly to update their expansion or contraction plans.

There is no fear of the competition, which is usually the argument that is used here in Canada, and it simply means that they have some idea where the jobs are likely to be opening up or shutting down and what trades they are involved in, and that while there is a responsibility on the individual company, there is the collective responsibility as well, and if the workers' industry is going to close down, and she gave us the example of the textile industry at the time where they decided as a nation that they could not compete in the cottons and fine fabrics but could do a good job on the woollens.

And literally, they let about 20,000 workers go in a very short period of time and they did a lot of retraining there and put the workers into some of the woollen manufacturing and eliminated some of the cottons and lighter fabrics that they couldn't really compete with other countries in.

The thing is though that from the day they closed the place down, the workers either were relocated immediately because of their knowledge of the labour markets or the workers were paid 95 per cent of their salary and all their

benefits in addition to which, if it meant moving a worker to one of the different labour districts in Sweden, they also recovered any loss on the move and any loss in the sales of their house and the buying of a new house.

It was automatically covered, so you did not have the pattern of large numbers of unemployed workers that we have as a result of some of these closures.

The thing I think in all of that that we should recognize is that Sweden is not uncompetitive with the rest of the world. They, No. 1, have to lay out their plans so their competitors all know it in terms of their plans for the future in their industry. They have to take the responsibility for the workers.

There is a lot less of a responsibility because they are placed much faster, and nobody has ever argued that the country has been uncompetitive on world markets as a result of these particular practices including the costs involved in taking care of the workers, and it's that I think I would like to stress, that there are a number of the myths that are used automatically.

Letting your competition know, the cost to the employers, this huge social cost that hasn't really been borne out where they have actually set in place a real industrial strategy and a labour marketing plant.

Mr. Wildman: If I could add something to that.

A similar situation was in process when we were there in that they identified that they cannot compete in what was a major industry for Sweden, and that is ship building.

They have come to the conclusion that they can no longer compete in that area and so they are in a very active situation now of phasing out their major ship building manufacturing complexes and the companies that were involved in those moving into other areas, and they have myriad funds that companies can pay into and then take money out of with government approval for investment in other types of industry and retraining of workers.

But one of the things that I found rather interesting was that we were talking to one of the people involved in the labour pool, and he was describing the retraining programs and the "make work" projects, and they have many, many ways of keeping people employed, and one of the professors that we talked to said, well, you can look at this in a different light and you could say that there is actually an unemployment rate in Sweden of 11 per cent, not 3-point-something, if you count all the people that are being retrained and all the people that are working in the "make work" projects.

But then again, if you were to count all of those people in our situation, we would have a significantly higher unemployment rate than 8 or 9 per cent or 7 or 8 per cent.

Mr. Gordon: It's like a circle. At least they are going somewhere.

Mr. Mackenzie: At least you have the choice of retraining or a job.

Mr. Wildman: The other thing is that they are also able to meet a number of social responsibilities through these "make work" projects that would not otherwise be met, and it's a very different type of approach, but as Bob said, they are able to meet these obligations and keep people working and contributing to society and yet still be one of the leading manufacturing nations in the world.

The Chairman: It does sound to me a bit like flirting with socialism.

Mr. Gillies: Look of horror on your face.

Mr. McGuigan: Would it be fair to say that there is less of a confrontational, we are going to show those bees on either side that --

Mr. Mackenzie: You have the guarantee of work.

Mr. Wildman: Both sides, labour and management, as I said, have a consensus. They agree that it's good for the country if as many people are working and are employed productively as possible, so there is less of a confrontation. There is a consensus.

I mean, some of the comments were made by the business people we talked to are very similar to the kind of comments that business people would make in North America. The difference was when we started raising some of the options that might be open to an employer here, it just didn't work for them. They said well, we can't do that.

Mr. Mackenzie: The difference is the union is as strong as they are.

Mr. Wildman: You know, even if we wanted to do that, we can't. That was their response, and the same thing goes for some of the programs they have for keeping people working and so on.

I think Jack Pierce raised with one of the people who were there, he said, what happened that led to this system?

You know, there must have been a major economic collapse or something that led you to implement this system, and the gentleman that we were talking to just looked at him mystified and said well, no, it's just common sense. He said, which would you rather have? People working and getting paid or sitting at home doing nothing and getting social benefits.

It's just a different consensus, a different view of how things should work.

Mr. McGuigan: That probably arose from the thirties.

Mr. Mackenzie: Yes, it arose from the thirties.

Mr. McGuigan: As did our farm legislation which arose from the thirties, so there was an event.

Mr. Wildman: Basically what he did say after that is they looked at what happened in Britain in the thirties and wanted to avoid it so they started to implement these kinds of programs at that time.

Mr. McGuigan: They have another major difference than us. In the matter of relocation, you know, for instance people in Quebec and Ontario, there is a real problem there and northern and southern Ontario too. A real problem.

Mr. Wildman: Well, it was interesting. We were in Caroon (phon), north of the Arctic Circle which is an iron ore mine, and they were relocating people to Malmo which is the southern most manufacturing community in Sweden right at the tip of the peninsula, laid off iron ore workers, miners, that were being relocated.

Mr. Mackenzie: It's really an economic decision where in the southern regions they are going to have some expansion or jobs or contracts.

Mr. Wildman: And they were training some of them as computer programmers, which I found funny.

Mr. McGuigan: I remember people in southern Ontario again in the thirties that went up to the mines in the north which was considered the smart thing to do, but you suggested some from the north to come south. Well, you had better find some place to hide.

Mr. Wildman: Well, that's basically happening anyway, unfortunately.

The Chairman: Mr. Gillies.

Mr. Gillies: The thing that's interesting though is

in terms of any sort of regional strategy, we as a country and I guess as a province, we flirt with these things at times of recession and very high unemployment.

I mean, if you go back to '82 or '83, the federal government brought in the ILAB program, industry labour adjustment. There was a successor program, IRDT and so on, and it gave you the capacity, and I mean, those programs varied in their success, but in my community, they were very successful, very successful in getting community works projects going and in some cases aid to industry, direct aid to workers and so on.

And there is some attraction to that. Now, the "recession ends", because I agree with you, Doug, we still have a terrible problem up north, but those programs have ended. They are gone. And again in the Ministry of Labour estimates, we talked to the Minister here and there are really very, very few resources being channelled towards job creation and community economic adjustment and so on.

We thought we needed those programs three or four years ago for the whole province, but now that a problem continues in certain regions of the province, the programs are gone, so there is some attraction to having some sort of ongoing continuity.

Mr. Mackenzie: The Free Trade Committee, you will note, that the one common theme in both the proponents and the opponents of free trade raised with us, the economists, the companies, the organizations, was the lack in this country of any identified and planned industrial economy or strategy.

There has never been one in this country, and that the interesting thing was it was raised by both sides of the free trade debate.

Mr. Gordon: I guess that's the scariest thing about this whole situation. Free trade without any kind of labour adjustment program.

Mr. Gordon: It's also scary that you have any kind of an economic plan because, you know, McDonald, I still can't get over. You know, I thought he was one of the more progressive cabinet ministers in the McDonald Commission report, and he said the alternative to free trade in a marketplace economy is a planned economy, and God help us if that happens.

You know, I don't know why the fear. It just never has been able to register with me.

The Chairman: As we head into these three weeks, are there any other instructions that we want to give to

Albert? I can think of only one that we would encourage him in doing, and he's already thinking about it, and that is the whole question of community adjustment added to employee adjustment, particularly with northern communities.

Mr. Mackenzie: Can we ask him also if he can do a similar summary as he has done with the three foreign countries, with France, maybe a little more geared on the legislation that allows or doesn't allow the closing of a plant? There are some unique variations in France.

Mr. Nigro: What I can provide is something similar to what I have done with the other European Community countries. The one caveat that I will raise is that it's difficult to get materials that are absolutely up to date.

Materials I could get from France would probably be from 1985 to 1986, and I know that in France there has been discussion of changing some of the legislation dealing with this. I am not sure what the status of that legislation is.

Mr. Mackenzie: I know of a couple of little variances that might be useful for the committee to have in the French situation.

Mr. Gillies: In terms of community adjustment, Mr. Chairman, I think it would be very useful to have some sort of review. Now whether it's information that Albert pulls together or perhaps inviting a witness or two to review the programs that were put in place by the federal government during the recession, ILAB and IDRP and so on, were at least attempts. Section 38.

There was a joint federal-provincial program I believe. I can think of individual successes and failures of those various programs, but I would very much like to see a review of how their overall effectiveness was seen.

The Chairman: Can you handle that, Albert?

Albert is going to be with the Committee, so it will be difficult to give him too many assignments.

Mr. Gordon: He has three weeks. Two weeks travelling and one week here.

Mr. Nigro: There are two things I would say on that. If you would look under the federal government provisions on page 6 and 7, some of those provisions are discussed.

Giving you an example, they are, as Mr. Gillies correctly pointed out, being phased out, the Labour Adjustment Benefits Act being one of them.

It dealt with the situation where an older employee had been terminated and was not in all likelihood going to find another job in his or her working career.

As a result of some of the phone calls in finding that information, we do have some names in the Federal Government, so I will suggest the names to the clerk and see if they can be scheduled in.

Mr. Gillies: That would be fine.

The Chairman: Scheduling is going to be difficult, but we'll see what's possible.

Mr. McGuigan.

Mr. McGuigan: When I was on that US information program in '85 in Washington, we did meet with some people to explain the US labour adjustment program, and I don't know whether you have got that in here or not, but they do have an adjustment program that's not funded as well as it should be.

Nevertheless, they have an act and an organization in place for adjustment in the States.

Mr. Nigro: The information I have from the US is as current of the summer of 1986 where the Office of Technological Adjustment in the Department of Labour looked at the situation in the US, and as far as legislation was concerned, there wasn't a great deal. There are a number of US programs that are mostly administered by the States funded federally, but in fact there isn't a lot of legislation.

There has been a report or there is a report of a committee to the Secretary of Labour, and the recommendations from that report are summarized in the first part of the US report of materials that are in that project, explained to you.

It's not clear from the recommendations that were made whether they would include the implementation of legislation. The major recommendation as far as employee adjustment is concerned is that the US Federal Government gathered together all their various programs which are of a general nature, not of a specific nature in the case of plant closures or mass terminations and put them under one program to be administered by the states, by the individual states locally.

I wasn't clear from reading that recommendation whether they were talking in terms -- or reading those recommendations, rather, whether they were talking in terms

of legislation or not, but they are summarized. That material is summarized under the US federal materials in front of you.

The Chairman: Anything else? If not, this afternoon at two, the Ministry of Labour is going to make a presentation to us. All right.

We are adjourned until two.

The Committee recessed at 11:55 a.m.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

PLANT SHUTDOWNS

TUESDAY, FEBRUARY 17, 1987

Afternoon Sitting



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

Bernier, L. (Kenora PC)

Gordon, J. K. (Sudbury PC)

Mackenzie, R. W. (Hamilton East NDP)

McGuigan, J. F. (Kent-Elgin L)

McKessock, R. (Grey L)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Wildman, B. (Algoma NDP)

Substitutions:

Davis, W. C. (Scarborough Centre PC) for Mr. Pierce

Gillies, P. A. (Brantford PC) for Mr. Stevenson

Hennessy, M. (Fort William PC) for Mr. Bernier

Also taking part:

Poirier, J. (Prescott-Russell L)

Clerk: Decker, T.

Assistant Clerk: Manikel, T.

Witnesses:

From the Ministry of Labour:

Sadlier-Brown, P., Assistant Deputy Minister, Labour Policy and Programs

Coke, R., Director, Policy Branch

Shardlow, H., Director, Plant Closure Review and Employment Adjustment Branch

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT.

Tuesday, February 17, 1987

The committee met at 2:10 p.m. in room 228.

Resuming review of announced closures of manufacturing facilities in Northern Ontario.

The Chairman: The Resources Committee will come to order.

This morning we heard an overview of what Ontario had done, what the existing legislation is and a look briefly at some other jurisdictions and I think I would be remiss if I didn't express appreciation to Albert for that very nice summary that he put together--

Mr. Gordon: It was excellent.

The Chairman: --in a very condensed way, but I think it contained all of the necessary ingredients. He was very helpful.

Mr. Gordon: Well, Mr. Chairman, the only reason you thought it was condensed was because he spoke so quickly.

The Chairman: That's true.

Mr. Gordon: Actually, there are volumes there of material.

The Chairman: All right, thank you.

Now, this afternoon we asked the Ministry of Labour to have a chat with us partly because we didn't want to head into this venture without talking to a couple of ministries that are most involved with it, and that's why I wanted the Ministry of Labour and Industry and Trade as well, for no other reason, to raise some warning flags of areas that could lead us into deeper water than we want to be in.

I understand, as well, that the Ministry, I don't know if it's a branch, but you have some part of your Ministry that deals with plant closures and shutdowns. And so we did want to call the Adjustment Branch, I guess that is what it is, so we're pleased that you are here. We know it is inappropriately short notice but we'll only give half our apologies for that because it's not very much in our control, the scheduling of the Committee.

So, any way, welcome to the Committee and we appreciate the fact that you are here.

Mr. Wildman: Well, we did it in a similar vein to the kind of notice that companies give their employees.

The Chairman: Okay.
Mr. Sadlier-Brown?

Mr. Sadlier-Brown: Thank you, Mr. Chairman.

I'd like to introduce the members of the Ministry's staff that are here with me. On my right is Bob Coke, who is the Director of Policy Branch. It's a relatively new organization in the Ministry. It's there to provide advice to the Minister in all areas of policy under the Ministry's jurisdiction.

On my left is Harry Shardlow, who is the Director of the branch that you referred to, Mr. Chairman, The Plant Closure Review and Employment Adjustment Branch. It's got a name almost as long as mine. It's there to respond when statutory notice is provided under the Employment Standards Act and it involves itself in the adjustment process as well as in compiling and keeping data that the Ministry keeps on closures and lay-offs.

What we have planned to do this afternoon, Mr. Chairman, is make a brief presentation and leave you with the package of material, which, I understand, has been distributed, and that package includes some charts showing the trends in reported lay-offs by region, type of lay-off during the 1980s, the most recent Ministry of Labour monthly report on lay-offs - that's for December of 1986, a short overview paper on the labour adjustment issues that we have prepared for the Committee - that may involve some repetition of what you've gone over this morning, but I understand that can be constricted. And, then, finally - well, not finally - a compilation of material on termination and notice policies under jurisdictions which you may want to look at. Finally, a copy of part 12 of the Employment Standards Act and Regulation 286, which we will probably be referring to on a couple of occasions this afternoon.

With your permission, Mr. Chairman, I'd like to ask Robert Coke to take the Committee through the statistics that are part of the charts and numbers and then through the -- just give you a brief, sort of outline of the paper that we have left with you. I think that what the paper does is it gives some idea of where the Ministry fits into the whole process. As you've mentioned there are other Ministries that are involved, that are brought to bear when one of these situations arises. What that paper outlines is the kind of thing that the Ministry of Labour has in its battery to deal with with these circumstances.

Mr. Coke: Mr. Chairman, in your letter to the

Minister of February 9th, you asked that we try and provide some overview, an indication of trends involved in plant closures and lay-offs. So, what we have done is really two things in the package; the first, a set of statistics which goes over the economic situation and the statistics that we have collected, the Ministry of Labour. The second paper, which I'll take you through, deals with the range of programs and policies that are available in a lay-off situation and describes, in particular, what the Ministry of Labour does during a lay-off or plant closure.

So, let's start with the statistics in the first part of the package.

Generally, we have, in the economy right now, been experiencing an exceptionally favourable economic performance. We have had positive real growth since 1983 and, in 1986, employment in Ontario increased by 132,000 jobs - if you look at the figures from December 1985 to December 1986. A further increase of 32,000 jobs is anticipated for January 1987. If we compare the average levels of employment in 1985 with the average level of employment in 1986, we see that there have been 153,000 more people employed comparing the 1986 average with the 1985 average.

As a result, the rate of unemployment in 1986 fell by one full percentage point based on the annual average. The unemployment rate as of January 1987 stood at 6.6 per cent and real growth for this past year is anticipated to come in at around 4.1 per cent. Treasury is forecasting 3.6 per cent real growth for 1987.

So what we have is a very favourable economic circumstance. Nevertheless, concerns are rising about the numbers of announced plant closings.

Mr. Wildman: Mr. Chairman, is it better for the witnesses to go all the way through and then us have questions after?

The Chairman: I think that would be best; otherwise it's hard to anticipate whether we will ever get through.

Mr. Wildman: Okay.

Mr. Gordon: It might be.

Mr. Coke: Chart 2 looks at the statistics. These are collected by the Plant Closure Review and Employment Adjustment Branch. This information only comes in where the Employment Standards Act mass notice provisions are true; that is, we only receive information where there are 50 or more employees terminated in four weeks; so we have a relatively limited example but, from that, we try to portray

in these charts the various trends as we see them.

If you look at the top line in the second chart, it records the number of lay-offs in total where 50 or more employees have been affected. You can see, in 1982, as a result of the recession, lay-offs reached a very high level. In the range of 47,000 workers were reported to us in that year. You can see, looking at the total, that the total number of lay-offs has come down significantly since the 1982 recession and has been performing favourably through '84, '85, '86 and is continuing to decline.

I'd also note, though, that there is an increase in the number of lay-offs reported resulting from complete closures - that's the third line at the bottom of the chart indicated by the boxes - and you'll see that it has come up slightly through '84, '85 and '86.

Moving to the next chart, this gives a longer term perspective of the number of lay-offs involved in mass lay-off situations. Comparing only the totals, you can see that, again, the lay-offs in the recession year 1982 were the highest and there has been a trend down into 1986. Again, in the bottom line, you can see that the number of lay-offs from complete plant closures has been trending up recently.

Looking at the total ten-year period, however, there's no clear trend regarding the number of lay-offs from plant closures.

The Chairman: It's almost the same in '86 as '76, isn't it? It's hard to tell on this.

Mr. Coke: That's right.

The Chairman: Pretty close.

Mr. Coke: That's right.

Mr. Gordon: I thought you said we couldn't ask questions.

Mr. Coke: The next chart provides a recent picture of the composition of lay-offs by source and, if you look at the two bars on the extreme right, you can see that total lay-offs have declined in 1986 compared with 1985; however, the number of lay-offs resulting from complete plant closures is up and, also, the proportion of lay-offs caused by plant closures is up for the latest year.

The final chart shows basically the total number of lay-offs on a regional basis. It shows a favourable performance in the central region and, in the eastern region, total lay-offs have trended down since 1982. It

does show that, in absolute terms, lay-offs in the north and eastern and southwest region are relatively small compared to the central region, but it does show that there has been an upturn in the number of lay-offs in the north and, in the smaller communities, lay-offs of this size can cause serious problems of adjustment. Those are the statistics.

The next package is a copy of the monthly report on permanent and indefinite lay-offs occurring under the circumstances mentioned above. This is put out by our Plant Closure Review Branch. It provides information on the same categories; complete closures, partial closures, reduced operations. It names the companies, the location of the companies, their industry class, nationality of the ownership of the company and the employees affected by month and by year to date. The report you have in your package is for December; therefore, the statistics there give you a year end figure for 1986.

The next thing I'd like to take you through is the brief paper we prepared on an overview of the labour adjustment issue. What, essentially, we tried to do here is respond to the question of the Chairman which called for an overview of the issues on plant closures, shutdowns and employee adjustments. The paper identifies the issues and outlines the program areas where government action takes place. And I think, to speed things up, I'll just guide the members through the paper highlighting the main points.

In the Introduction, we go over again briefly the statistics. You've already been through those, so there's no need to repeat them here.

One of the key concepts that I think the Committee will be encountering during this deliberation is the distinction sometimes made between cyclical unemployment and structural unemployment. Cyclical change really refers to temporary change. It suggests that things will return to normal. Structural change refers to permanent changes and suggests that the adjustment problem will be longer and more difficult and, depending on the nature of the change involved, I think different types of adjustment response are called for.

If we look at the Ontario economy in part 2, we have identified three factors that we think are contributing to the structural changes. Just briefly, these are: technology, the relatively low natural resource crisis being experienced in the north and change in patterns in the location of production internationally and in the relative competitiveness of our trading partners.

Just going over some of these changes, I think there is a feeling that standardized labour-intensive mass produced goods may locate increasingly in developed

countries with lower wage costs, which may affect the production in Ontario. Ontario also has a particular interest in countervail or trade protection activities undertaken by our major trading partner. We have a considerable stake in the Canada/U.S. bilateral free trade negotiations. These factors are likely to generate a significant amount of structural change in the economy even with an overall economic performance that continues to perform favourably. When structural change occurs, it requires adjustments by the labour force.

In part 3, we list the nature of the costs imposed on an individual worker. A worker in a declining sector may have to prepare for a period of change in order to rearrange his personal affairs in order to commence job search activities. He may lose the employer's specific know-how, experience and other benefits in the form of seniority rights and pension privileges. He may forego income through unemployment or lower subsequent earnings or wages. He may have to incur relocation costs. He may have to undertake retraining, and that has its costs.

When we look at the various studies of labour adjustment that have taken place, we offer a number of general conclusions. First, the general level of economic activity will be an important determinant of the duration of employment and of subsequent wage levels, both of which will strongly influence the adjustment costs of the individual worker.

Secondly, the adjustment costs for labour will vary considerably between industry. Higher adjustment costs will tend to fall on older, more skilled and higher wage workers. Measures to facilitate worker mobility, at the industry level, such as income support, retraining and relocation assistance, can improve the overall performance of the economy; that is, they can reduce the aggregate level of unemployment.

Finally, workers may experience costs in the form of capital losses on housing; particularly the future of single-industry communities and lower subsequent earnings or wages may be an important element of the worker's individual adjustment costs. So, clearly, the most difficult employee adjustments come where there's a permanent lay-off or a plant closure.

In these situations, there's a range of existing measures, and you heard about them this morning. I will go briefly through these.

I just note that the Ministry of Labour is particularly concerned with statutory protections for displaced workers under the Employment Standards Act and with counselling services that are provided through the

Plant Closure Review Branch of the Ministry. Under the Employment Standards Act there are minimum standards for advance notice and there are minimum standards for individual notice, and these are listed on Chart 1, page 5 of your handout.

You can see there that the period of notice ranges from 1 to 8 weeks depending on the period of employment. Failure to provide sufficient notice results in the employer being required to give pay in lieu of notice for each week of insufficient notice, and those provisions do not apply to temporary lay-offs. The Act also provides for notice in mass termination cases. Basically, the mass notice termination provisions are triggered where any employer terminates 50 or more employees in a period of 4 weeks or less. Each individual must be paid termination pay equal to his or her weekly wage plus benefits for each week of deficient notice. You'll see that the notice period varies depending on the number of employees terminated over a particular period of time. So that the notice required ranges from 8 to 16 weeks.

Regulations promulgated under the Act also prescribe - this is Regulation 286 - that where notice to employees is required within the mass termination provisions, the employer shall, at the same time, notify the Ministry of Labour. The Minister of Labour is also provided directly under the Act, Section 40(5), with very general authority to require employers who propose to terminate employees to participate in and contribute to the costs of committees established to facilitate the re-employment of terminated employees.

Since 1981, Ontario's Employment Standards Act has also required a minimum amount of severance pay for long-serving employees terminated by larger employers as a result of the complete or partial discontinuance of a business. Basic provisions for severance pay are set out in Chart 2 on page 9 of your handout.

Just briefly, I'll note that severance pay is required for all employees whose employment has been terminated under the following conditions: There must be 50 or more employees terminated by an employer over a period of 6 months or less. The termination must be caused by the permanent discontinuance of all or part of the business of the employer at an establishment and the employee must have been employed by the employer for five years or more. All three of those conditions must be present in order for a terminated employee to qualify for the minimum severance pay provisions under the Act.

As I go along, there's a brief mention on page 11 regarding the treatment of termination pay in lieu of notice and severance under the Federal Unemployment Insurance Act.

This section really refers to the changes that were announced beginning on March 31, 1985 under which the Unemployment Insurance regulations were amended so that termination pay in lieu of notice and severance pay were treated as earnings for the purposes of determining unemployment insurance benefit entitlement. The immediate effect of this change was that the receipts of lump sum termination pay for severance upon termination of employment delayed eligibility for UI benefits by the number of weeks paid represented by the lump sum.

I should also state that the UI program is currently under review by the Federal Government following the report of the Commission of Inquiry on Unemployment Insurance, Forget Commission, which report is November 1986. Unfortunately, the Commission has not recommended substantial revisions in the current UI regulations dealing with termination or severance pay. The Federal Government is expected to announce its response to the Forget Report in May 1987.

In the meantime, in an attempt to cope with the implications of the change in the UI regulations for provincial legislation, the Province enacted Bill 128 in November 1986. Under this legislation, termination and severance payments become payable and are allocated to the two-week period immediately following termination, effectively limiting the adverse impact of the new UI Regulations.

Another major involvement of the Minister of labour involves counselling, and this is undertaken largely by the Plant Closure Review and Employment Adjustment Branch, and there are two activities in which they engage. First, the Branch participates in the work of the Industrial Adjustment Service of Canada which Employment and Immigration sponsors and largely funds. This program provides for the establishment of joint labour/management committees that undertake a variety of tasks, from strategic planning to job search for laid off employees. The Committees normally consist of two union representatives, two management representatives and an independent chairman hired on a per diem basis. The federal officer co-ordinates the committee activities and a representative of the Plant Closure Review and Employment Adjustment Branch attends committees on an ad hoc basis. The committee's major role is to help the affected employees seek out job opportunities both in their community and elsewhere in Canada.

The second program in which the Plant Closure Review Branch involves itself is the Employee Counselling Program. This program was developed in 1981 in conjunction with the Ministry of Colleges and Universities to provide employees affected by permanent job loss, especially due to plant closures with professional assistance in areas of job search

techniques, career assessment, access to retraining, retirement counselling, financial counselling and so on. The program comprises both group and individual counselling sessions that normally take place over a one-week period in groups of up to 15 at a time. In very large situations, several of these can be handled concurrently.

Although some other jurisdictions have put on job search seminars for employees in specific major closures, to the best of our knowledge, there is no similar established program in North America. Other jurisdictions have expressed an interest in the Ontario experience.

The last part of the report deals with these areas where the Ministry of Labour is not directly involved but it refers to other elements of the employee adjustment problem.

First, there is a need for income support that may be needed during the job search, during the retraining/relocation period, and may be required for the long-term unemployed, older -- particularly for older workers for whom it doesn't make economic sense to invest in retraining. Our primary programs in Canada provide income support under the Unemployment Insurance Program. As I say, that's currently under review.

Long-term income for laid-off workers who are older is an emerging issue of particular concern. The only program specifically designed for older workers to date has been the Labour Adjustment Benefits Program, the LAB program. It is wholly financed and operated by the Federal Government and provides a form of early retirement benefit to long-service older workers age 54 or over who have exhausted their UI benefits. The Federal Government has made a proposal for a program for older workers' assistance which would be 50/50 cost shared with the provinces. This program is just in its development stage.

The last two areas are mobility and training. Until recently, as far as relocation goes, it's primarily been a federally funded area. Until recently, the federal government provided relocation assistance under the Canada Mobility Program. This was first initiated in 1967. This program offered cash grants to cover part of the moving expenses faced by workers who must relocate to obtain jobs. Rather than enrich the relocation assistance, the Federal Government has recently been entrenching, first by limiting the scope of the mobility program and, then, as of January 1, 1987, terminating it.

There remain three avenues for obtaining federal assistance for relocation. Two of these are available under the new Canada Jobs Strategy introduced by the federal government in 1985. Under the Community Futures component of the Canada Jobs Strategy, Community Futures Committees

may provide relocation assistance. To date, however, only 4 Ontario-communities have signed a Community Futures contract. Relocation assistance may also be provided under the Skill Shortages component of the Jobs Strategy. However, Skill Shortages is only available to people in a limited number of occupations designated as "in demand". In most cases of mass termination, the Federal Industrial Adjustment Service assists in the formation of an Industrial Adjustment Committee which helps with placement of employees. Where such a committee has been established, the employer and the IAS may sign a "Mobility Agreement", which involves assistance for exploratory job search and/or relocation that is cost-shared between the employer and the federal government.

The final area is retraining and, again, the federal government has been the principal provider of funding for the retraining of displaced workers. Ontario-financed training programs offered by the Ministry of Skills Development focus mainly on skills upgrading of the employed, on academic upgrading and on introductions to skills training for labour force re-entrants - this is particularly women.

That gives you an idea of the range of programs existing to assist in the employee adjustment problem.

The Chairman: Okay.

Mr. Coke, anything else?

Mr. Sadlier-Brown: Now, I think that basically outlines the Ministry's material. We could go through that interjurisdictional stuff, but I think it's rather heavy and it's something that I'm sure you will want time to digest.

The Chairman: Okay. A couple of members indicated an interest in having an exchange with you.

Mr. Wildman.

Mr. Wildman: Thank you.

I notice that you break down the figures for lay-offs on a regional basis as well as doing the overall, and you point out that the trend in eastern and northern Ontario is not a good one and that it is increasing in terms of lay-offs, just slightly, but increasing.

Mr. Coke: Well, it's the north and the southwest, but, in general, it is an upward trend.

Mr. Wildman: North and southwest. Now, you pointed out that this can have problems, additional problems in small northern communities because there aren't the alternate job opportunities in the single-industry towns

and I would add that is a particular problem because of the current commodity market situation and the pressure that's being placed on resource industries in the north.

Has the Ministry considered regional programs that would meet the problems that you mentioned in terms of actually setting up programs which are community or region-specific?

Mr. Sadlier-Brown: I understand that, in the next couple of days, one of the Ministries will be coming in to make presentation to this Committee, the Ministry of Northern Development and Mines, and they may well have some specific things to say about what they are contemplating or what they have done in terms of community-oriented response and regional-oriented response.

The Ministry of Labour has not got any programs that are specific in a regional sense.

Mr. Wildman: Other than cooperating in the federal government in those four communities which have been designated for Community Futures?

Mr. Sadlier-Brown: Yes.

Mr. Wildman: Okay. Can you explain the reason for -- when you were looking at the overall trends for the province, you indicated that it's a good performance in the sense that the recession appears to be over. I think you would agree with me, the recession is not over in the north, but the recession, in terms of the overall provincial economy, has ended and that we are in a growth period, particularly in the Golden Horseshoe. But you indicated that there was an increase in lay-offs as a result of complete plant closures.

Can you put those two situations together within the fact that there are more complete plant closures at the time when there's a period of growth?

Mr. Sadlier-Brown: Let me just deal with, first, the problem of the north.

Clearly, one of the factors that we have identified, and I think it is a generally accepted view, is that the relatively low commodity price situation has particular negative effects on a number of industries, and the north is particularly affected by that. There are, indeed, some industries in southern Ontario as well that are affected by low commodity prices, but the concentration of the impact is in the north.

Now, in terms of why there is what seems to be a slight upward trend in the lay-offs accounted for by

closures, whether that's complete closures, the explanation of that is something that we don't have a definitive view on but it's not surprising that it would occur in a buoyant economy. There are things that just simply don't make it any more. There are new products coming onto markets that are rendering old products obsolete and people are closing down. Things are moving at a very rapid pace but we can't, from the numbers that we have, discern a particular pattern. It's not like previous situations where you could pin it down to. Apart from the thing that we have identified there in terms of the impact of low commodity prices, there isn't any other sort of thing that is driving it.

Mr. Wildman: Has your Branch done any analysis of that? I mean, for instance, have you done an analysis of what trends there may be in the reasons for complete shutdowns, complete closures, to determine whether or not it is technological change, products obsolescence, or whether it might be related to corporate rationalization, whether it might be related to trade situations or corporate takeovers; those kinds of things? Does your Branch do any of that kind of analysis?

Mr. Sadlier-Brown: We look at it and the answer to your question is, all of the above. I think that you could probably find an instance of complete closures being explained by that list that you have mentioned, and probably others. That's why, I guess, I'm saying there is no apparent trend in any one direction. There doesn't seem to be a predominant explanation that we have been able to discern.

Mr. Wildman: Do you identify particular sectors that are vulnerable in your study, or have you been able -- you mentioned low commodity prices, but are there particular sectors in the economy that are vulnerable to lay-offs and shutdowns at this particular point in our history?

Mr. Sadlier-Brown: No, I don't think we could say that at the moment. The general observation about those that are linked to the commodity sector, those that are linked to the oil industry in some way, those that are victimized by events like countervail in the United States, I mean, you can identify things and explain particular circumstances with them, but they are all there and there doesn't seem to be any kind of specific force that's at work that is driving us in a particular direction. It is, in a buoyant economy, I think, difficult to find a major flaw and there just doesn't seem to be one that we have been able to discern.

Mr. Wildman: Okay. Now, just one more question, Mr. Chairman. You'll forgive me if I, coming from the area I come from, find it hard to talk about buoyancy in the economy.

Has your Ministry done any updates of the studies that were done early with regard to the impact of a comprehensive free trade agreement on the Ontario economy, in particular sectors of the Ontario economy, in terms of the so-called adjustment period and what sectors will be vulnerable to major lay-offs?

Mr. Sadlier-Brown: No, we haven't done an industrial impact analysis of that. We have been looking at the adjustment consequences and assessing the adequacy of adjustment policy at the federal level and at the provincial level. That is the extent of our involvement in that.

Mr. Wildman: Okay.

Mr. Hennessy: Just as a supplementary, Mr. Chairman.

What firms are predominant in regard to having lay-offs or closures? Is there any certain segment of the industry that has more than others?

You may have a lot of plants closing. What specific ones are the ones that have the most problems? There must be one or two that have more closures and more problems than other firms?

Mr. Sadlier-Brown: We don't have a sense of a pattern. We do see some link to firms that are affected by the low commodity pricing environment that's prevailing right now, but we don't see a pattern that would say a particular industry, the widget industry, is really in trouble or anything of that sort. There isn't a clear pattern that is evident at all.

Mr. Coke: Just to reinforce what Peter is saying, when we did the regional chart, we saw that there was a pattern - we could see a small upturn in lay-offs in the north and so on. We tried to do the same thing for lay-offs by industry sector and we got no clear result at all. They were all over the map in terms of the industries affected. We couldn't find a regular statistical pattern.

Mr. Hennessy: Nothing specific? You can't stick a pin in and say, such and such, or that it is number 1 that has a problem?

Mr. Coke: Dominion Stores were a large part of the lay-off figures. Ponderosa Steakhouses were a large part.

Mr. Henderson: Okay.

Mr. Coke: I think there was some manufacturing. They were all over the map.

The Chairman: Thank you, Mr. Hennessy.

Mr. Gordon.

Mr. Gordon: Well, it would seem to me, Mr. Chairman, that there has been a steady decline, though, in resource industries in the north when it comes to manpower, would you not agree, over the past number of years, and it seems to be continuing.

And given that that is the case, it would seem to me that, if the Ministry was going to develop some policies, labour policies, that were meaningful here in the Province of Ontario, you would be expected to probably be doing some studies of, let's say, major centres, starting off with major centres - I am not meaning to denigrate the fact that there are smaller centres in the north, looking at some of the major centres that have been particularly hard hit, for instance.

Mr. Wildman: Sault Ste. Marie.

Mr. Gordon: Sault Ste. Marie.

Mr. Wildman: Sudbury.

Mr. Gordon: Sudbury and so forth, over the past few years.

Can your Ministry tell this Committee what has happened to those people that you have been charged with being responsible for; that is, i.e. labour - that means labour people, working people - can you tell us what has happened to those people who have been laid off, let's say, over the last four or five years in those communities; have they moved away, how many were retrained, what kind of assistance was really provided to them in order that they were able to find other jobs; things along that line, and what new policies have evolved out of the experience we have had since '81?

Mr. Sadlier-Brown: I'm not aware of that kind of a tracking study as you've described where a follow-up has been done on an individual case basis where it was specifically determined whether a person has -- basically, what form of adjustment they have gone through; whether they have moved away or found a new job in the area or whatever. I'm not aware -- Certainly, those things have not be done by the Ministry of Labour. I am not aware of them being done by anybody else, though.

Mr. Coke: No, no.

Mr. Gordon: But it would seem to me that, given the fact that we have chronic gnawing -- I would call it gnawing

unemployment and welfare in the north - it's been going on for some years now and it is getting worse - it would seem to me that if the Ministry was going to evolve meaningful programs for the future, particularly for labour and it is working people that are being affected by this, that that's a terrible thing to have said to this Committee. I mean...

The Chairman: Mr. Gordon, we must be fair that these are not the Minister--

Mr. Gordon: I know that, but you have to remember that the civil service does provide the grist for the mill; so I have to point that out.

Mr. Wildman: If not the chaff.

Mr. Gordon: I have to point that out, and I find that rather frightening because, when I think of those working people who go on unemployment and then many of them end up on welfare and they just sort of drop by the wayside and we say, well, we don't see any discernible patterns. I find that frightening because, certainly, if you look at the Sudbury experience, what I would like to see this Committee given is some kind of material from the Ministry of Labour that would tell us, well, what happened. We see that, for example, in the Sudbury region, the workforce now is up around 165,000 people and Floyd -- Mr. Chairman?

The Chairman: Population.

Mr. Gordon: Yes, population, but I think the actual workforce is up to around 65,000; so, it really hasn't dropped. As a matter of fact, the regional officials will tell you that the workforce has gone up in the past four or five years. Now, they would probably say, well, that's due to more part-time jobs. But what has happened in that region? Have those miners who were laid off over the years, have they moved away or are they still there? Some of them move, some are working part time now; some are on welfare.

It would seem to me that if the Minister is going to evolve, or if the government is going to have some meaningful policy, it should have those kinds of statistics.

Mr. Wildman: I agree.

Mr. Gordon: So, I mean, that's one area that I am annoyed about.

Mr. Wildman: Can I asked a supplementary?

The Chairman: Go ahead.

Mr. Wildman: Do you do studies on various trades? I mean, obviously, you say, if the Ministry of Skills

Development is going to be trying to retrain workers, it would be useful to know which trades or skills are in demand.

Mr. Sadlier-Brown: The Ministry of Skills Development does have a group that does that kind of analysis.

Mr. Wildman: Are they coming before the Committee?

The Chairman: Sorry?

Mr. Wildman: Are the Skills Development coming before the Committee--

The Chairman: No, no.

Mr. Wildman: --if they are the ones that do these kinds of studies?

The Chairman: No, no. The Ministry of Northern Development and Mines and Ministry of Trade and Technology are scheduled to come before the Committee.

Mr. Wildman: The witness has just told us that the Skills Development does those studies. I would have thought...

Mr. Gordon: I would agree with my colleague.

Mr. Sadlier-Brown: I might add that the Ontario Manpower Commission, which is part of the Ministry of Skills Development, does that kind of work. I might add that that's a very difficult and thorny area in labour market analysis. They have been projecting skills requirements for some time and have indeed made presentations to various committees of the legislature on their projections over the years. It is a notoriously unreliable exercise.

Mr. Wildman: Well, we had horror stories on the Roseheath Committee where people were coming before us and telling us about, in Sudbury for instance, how they were training 750 welders at a time; that there were 500 welders out of work in Sudbury. I mean, that kind of thing. And, surely, those kinds of studies should be done and it would be useful for us to find out how they do them and what success there has been.

Mr. Sadlier-Brown: It may be that they were training them because of such a study; not because there wasn't such a study.

Mr. Chairman: Okay.

Mr. Hennessy.

Mr. Hennessy: The same thing as Mr. Wildman just said; that the federal courses in Federation College and Lakehead University to become a nurse's aid or to help in a hospital and you get a lot of people who have only a limited education and it's either that or back to Rainbow as far as them getting a permanent job and having something to get by. They keep them for about 16 weeks and then they lay them off. They have got more people there that have trained for the course than people who are in the establishment and then it becomes who they know to get the job. And I know a lot of qualified people that just don't -- they're not on the list and that's it. Then the first thing you know, three months later, they are training another 25 or 30 people and the first thing you know they have got more people who are available for the Hogarth Hospital and Lakeside Psychiatric Hospital out on the streets and back where they started from.

So they get fed up with the programs that the government has instituted with regards to, here's a program; you're going to become a college professor after you finish and you're going to get a permanent job, and the first thing you know, after you graduate they keep you at minimum wages, like welders and everything else like that.

I have many...like that; they keep them for 16 weeks. As soon as they are going to go on as a regular welder, they laid them off. So they take advantage of the programs, use the government's and the task force's money; in the meantime, all these people are out in the unemployment force again.

The Chairman: But better trained.

Mr. Gordon, anything else?

Mr. Gordon: Yes.

I see in your report here on page 14 under "mobility and training", you say:

"While public support for training and relocation assistance is available, obstacles to successful re-employment remain."

And then you talk about the fact that the federal government is cutting, or has cut, it's Canada Mobility Program.

Is the Ministry of labour giving any thought to bringing in a program of its own; in particular, focusing it on areas where there is unusually high unemployment and where there's a structural unemployment being built into that region?

Mr. Sadlier-Brown: I think, before the government

would want to introduce its own -- any provincial government would want to introduce its own mobility program, there is a question, I think a pretty fundamental question, about what is the appropriate level of government to run mobility programs.

Presumably, the labour market which I think we are concerned about is much larger than a particular part of the province's; indeed, probably larger than the province's, and there is that compelling logic that mobility programs be run at the federal level so that workers can be moved in a much larger market and have a much better chance of re-employment.

If the province were to embark on its own program, I think it would relieve the federal government from what might well be a more appropriate function for it to carry out, and it would be very difficult for a province to involve itself in paying for people to go to other parts of the country; it would be limited to the province and it would be a less efficient program as a consequence.

Mr. Gordon: Do you have any statistics that you could provide for the Committee on the number of workers in Ontario who move out of the province?

Mr. Sadlier-Brown: There are some data on people moving. There are a couple of sources.

One is the Red Seal Program, where there is an inter-provincial agreement on certified trades where -- well, you don't have to re-qualify for a particular trade if you move. This is an agreement between the provinces. So the Red Seal trades are known.

The province also collects certain population movements to business. We do keep track, in the Ministry of Treasury and Economics, of the flows of people between provinces but that is not necessarily helpful in terms of particular skills or wouldn't tell you anything about their occupation. The best data base for that is the Unemployment Insurance Commission data base, which is, unfortunately for those who are interested in labour policy, not always available for such study.

The Chairman: Okay.

Mr. Gordon: Well, I guess the Ministry of Labour was involved with..., is it the COED Program?

Mr. Sadlier-Brown: Yes.

Mr. Gordon: And ILAP.

Mr. Sadlier-Brown: Not ILAP. That was strictly

federal.

Mr. Gordon: But during the recession, what were the programs that you were involved in on a joint basis with the federal government?

Mr. Sadlier-Brown: Well, the province was involved in COED and they were involved in some programs under Unemployment Insurance, the Section 38 and 39 programs.

Mr. Gordon: Yes, Section 38 and 39. Yes.

Mr. Sadlier-Brown: I think that is the extent of it, but I couldn't assure you about that.

The Chairman: Mr. Mackenzie?

Mr. Mackenzie: I'm wondering -- several questions that I'm curious about.

One, when a closure is announced and the Ministry has had no more notice than the employees - and I recognize that there may not be any requirement of them - what is the reaction of the Ministry? What's the reaction of the Plant Closure Branch?

Mr. Sadlier-Brown: The reaction is to immediately get in touch with the affected parties. And, just to go back a step, the notice -- the notice requirements are that we be notified at the same time as employees and, sometimes, employers do provide us with slightly more notice than that but, other times, they provide the minimum statutory notice.

Mr. Mackenzie: I can't be asking a policy question, I guess, but wouldn't it be useful if the Ministry was informed a little sooner than they sometimes are in some of these closures? I get the sense, from listening to a couple of the Ministers, certainly, one of the local ones recently, that it was an embarrassment not knowing sooner or, how can we be expected to do something if we aren't told, you know, about the closure in advance? I'm thinking in terms of the onus, one of our local Minister's comments.

Mr. Sadlier-Brown: I'm sure that the Minister would agree with me that he'd rather know sooner.

Mr. Mackenzie: It seems to me that it is a bit of an embarrassment and I am just wondering why, as it happens so often, we don't get some move to do something about the time frames in terms of the notice?

Mr. Sadlier-Brown: An observation that I might make is that, when a closure - and sometimes they're an inevitable event - when one of them is extremely well managed by the employer in cooperation and consultation with

the employees, those are the ones that do tend to provide the Ministry with earlier notice, whether it be some significant thought given to the event that they are about to embark on. The ones where there are short notices or no notice at all, they do tend to be the ones that have occurred for more precipitous reasons.

Mr. Mackenzie: Is the pattern that is developing once again, particularly for closures in '87, one of branch plants closures or are you tracking that?

Mr. Sadlier-Brown: We are tracking that kind of thing. You can see from the report, in the section, when you look at the ownership on the list, that I don't have the sense - and Harry can correct me if I'm wrong - that there is a pattern emerging on that variable either. There is certainly no significant difference from what appears to have been happening in the recent past.

Mr. Mackenzie: Well, you -- once again, to see if it checks out, the note I have from our research people is that, of the jobs to be lost this year - these are closures and cutbacks announced but occurring in '87 - 71 per cent are from U.S.-owned companies and 79 per cent from foreign-owned companies.

Does that conflict with the figures that you have?

Mr. Sadlier-Brown: I don't think I understand your numbers in that sense. You're talking about the number of employees affected?

Mr. Mackenzie: Closures and cutbacks announced but occurring in '87. In other words, this year's closures or closures that were announced late last year but that are occurring in '87.

The Chairman: Yes, Bob. Are you talking about the numbers of companies or the numbers of employees affected?

Mr. Mackenzie: Jobs.

The Chairman: Jobs.

Mr. Mackenzie: It states that jobs lost were 6,024, and our figures were up to the 5th of February.

Mr. Sadlier-Brown: I'm sure that that's a reasonable number. We have been looking at the number as I see here in the reports.

Mr. Mackenzie: Well, the '86 showed only about 32 per cent were foreign-owned, as near as our figures show, but, certainly, it's now in the high 70s, those that are down; so it's close to the '87.

Mr. Sadlier-Brown: I think it would be reasonable to assume that most of the foreign companies are larger companies and do tend to have a larger number of employees; so it wouldn't surprise me, even though the number of announcements made last year were about 50 Canadian-owned/foreign-owned, if the actual numbers of employees affected might be more significant.

Mr. Mackenzie: Looking through the firms that we have a list for over the last four months that were announced it would seem that a large majority of them are branch plant operations basically, and I am just wondering, also, to what extent, if any -- this has been asked in a slightly different way earlier, but is there any feeling within the Ministry that the free trade debate we have had has had any influence on, or triggered in any way, this increase in branch plant closures?

Mr. Sadlier-Brown: No, I don't think that that -- that would be very hard to pin down. I think that the specific instances of trade actions in other jurisdictions can, if we can trace those through to particular events in Ontario, but whether people in contemplation of an agreement that may or may not come to pass are realigning their affairs, it would be a very difficult thing to pin down.

Mr. Mackenzie: What kind of monitoring are you doing in terms of corporate rationalization arguments that result in plant closures? Are you taking a look at how many of these closures are a straight result of corporate rationalization?

We discussed a couple of examples that may or may not apply, I'm talking about carriers and order seal in terms of United Technology or the Cooper closures a couple of years ago; Gardiner and, now, the Cooper/Kirsch plant and so on.

Mr. Sadlier-Brown: I think that, because of the number of announcements, the trend that was noted earlier in Bob Coke's presentation towards full closures rather than discontinuance or down-sizing, I think that that is consistent with the trend towards more rationalizing occurring.

You know, whether this is something that would normally happen at this point in the economic cycle or whether there is, you now, after the kind of shocks that the Ontario economy has been through, or whether there are some other forces operating, I am not in a position to say.

Mr. Mackenzie: It would seem to me that that's got to be one of the vital elements of any policy changes, if indeed there are to be any policy changes in terms of a responsibility to the workers, that if you have a pretty

good handle on whether the decisions are straight corporate rationalization decisions, it would be to our benefit and, once again, with the workers holding the bag in the situation.

What kind of plans do you have for - I know one of the other members dealt with this - for tracking the employees of some of the current closures and, if you don't, and I gather that was your comment earlier, why not?

It seems to me that there is some information that was lacking when we went through the last exercise in plant closures, an effective tracking of what happened to some of the employees in some of the classes. Why aren't we taking a look at some of the closures that are in the process of going on now - it would be probably relatively easy - a 50 to 200, 250 employee operation, and pulling together some of the data we need?

Mr. Shardlow: Mr. Mackenzie, if I can make a couple of comments.

Through the industrial adjustment committees that are established in almost every closure situation and load-produced operation situation, there is a certain amount of tracking done in the sense that they compile information on those employees who are seeking assistance and then track their progress as far as obtaining work or not asking for assistance at some future point because they have gone on to something else.

We, the Ministry of Labour, conducted a study in 1981-82 on 21 closures that occurred and had a fair amount of information on what happens to employees at that time, the type of jobs they go into and whether or not they move onto other areas.

In addition to that, what we are trying to do with our counselling program is to track those individuals who have taken advantage of the counselling that's available on how to look for work, where to look for work; the types of jobs, and we are now in a position where we have some initial data that we'll be shortly conducting studies that will see what happens to those employees six months after or a year after; something of that nature. At this point in time, we don't have any current information.

Mr. Mackenzie: It seems to me that that is one of the shortcomings and, in that respect, if I can raise with you and get your reaction a concern of some of the employees.

We discussed earlier this morning the Connie Bass situation in Hamilton. There was a fair amount of work done with the Committee that was set up there and follow up on it. The last call I had from one of the three chaps, I

guess, that was employed for a while on it was a very angry call about the latest information that was out and indicated that the percentage of those now not working some three years after the closure was down to, it seems to me it was 20 per cent or less, and his anger was directed at that specific fact. That may be all that don't show as now working of these older workers, he said, but what they are not saying in the doggone report is that they were older workers to begin with and many of them have given up even though they are not yet 65 and they are no longer on the workforce. The inability to get a job has taken them off the list, so it shows a better picture than actually exists.

He asked me specifically: What about the five workers - the fifth had just stepped into the canal - that have been identified as having committed suicide as a result of that closure? It's now five of the Connie Bass workers. These names now off the list, so it shows that, you know, we have done a pretty good job; it's only 20 per cent left that aren't working out of the hundred and whatever the number was - I just forget - at the Connie Bass plant.

As I say, it didn't come from me; it came from one of the workers involved, and it was quite an angry call about the accuracy, if you like, of the picture that was being painted in terms of the number of workers that were now back to work in that plant.

He also verified, as I had stated myself, with one or two exceptions, every one that was back at work was back at a heck-of-a-lot lower job rate than they had, you know, while they worked for the plant.

His actual argument was that our figures weren't accurate in terms of the number that were working steady as it relates to the workforce because too many of them had just taken themselves, in frustration, out of the workforce, as well as some various other categories, including the unfortunate suicide category.

Mr. Sadlier-Brown: I think that's a problem that would inevitably crop up in any kind of study or more elaborate kind of study that Mr. Gordon was talking about.

Mr. Mackenzie: But, surely, that indicates that that kind of hard study has got to be done so we know what the total effects are on people?

Mr. Sadlier-Brown: I'm only saying that, even in a hard study like that, you would have really difficult design problems to overcome the kinds of thing that you've identified. I'm not arguing at all that such a fault is inappropriate. It just does -- you are going to run into those problems.

Mr. Wildman: Supplementary, Mr. Chairman.

Is it not the case that they did attempt to do a follow-up in terms of the Atikokan situation, where the Adjustment Committee did, in fact, attempt to find out what happened to the workers who were laid off as a result of that shutdown and, if so, is there a study available on that?

Mr. Shardlow: The only study I'm aware of, Mr. Wildman, is the one that was undertaken by the Adjustment Committee and that was in place, I think it was, for over two years and it did track through the subject; the number of people who left, what happened to them and who had come back. Whether that study has ever been published, I confess I cannot recall, but I know that the information was made available at that time, more to the political centres but there was a study published at that time, too. If you'd like, I can see what we have available.

Mr. Wildman: Yes. I would appreciate it if we could find out what was done with the tracking that was attempted at Atikokan. It would be useful.

Mr. Mackenzie: Just two more very quick questions. One has to do with a comment you made early on that the lower commodity prices seem to be somewhat of a problem but, I gather, other than Northern Ontario, that didn't necessarily really show and, when I looked down the list of the most recent plant closures, I don't see very many of them that I would think were affected in any way by the natural resource or the commodity prices. I could be wrong on that, but I'm not sure it's a major factor in these closures. I think it's much more a factor of the straight corporate rationalization, although you could probably argue that that works both ways.

Mr. Sadlier-Brown: I think that even the Goodyear closure, if you look into the motivation, that corporate rationalization could be related to low commodity prices. The Goodyear Company's troubles initially began somewhere, I think, with the purchase of an oil company which, at the time it was done, probably seemed like a good idea, but when oil prices went down...

Mr. Mackenzie: I am not sure that's the defence, but I understand the argument your making.

Mr. Sadlier-Brown: I am saying that that's a pervasive impact.

Mr. Mackenzie: Okay. The one final question I have.

This government saw fit to sign the Accord and one of the items was to deal with plant justification, plant

closure legislation, including notice, justification and so on, and-I take it the parameters of that included methods to deal with the problems presented to workers of plant closures.

What recommendations are coming out of your department and the Ministry specifically to deal with new legislation in response to both that commitment and the problem we are running into?

I don't hear of any particular -- I hear we are taking a look at it and the information is given us. I don't hear of anything in the way of proposed initiatives that are coming out of the Ministry.

Mr. Sadlier-Brown: I'm sure that my Minister would be delighted to provide you with that information when he is ready to.

Mr. Mackenzie: Which I suspect means, as he told me, there's nothing there yet. Okay.

The Chairman: Thank you, Mr. Mackenzie.

Mr. Wildman: That's why we are here.

The Chairman: You were talking about tracking the companies in different ways. As a country boy from northern Ontario, I've become a student of Yonge Street - and I don't want you to track Yonge Street, but I have noticed--

Mr. Wildman: As opposed to tracking you on Yonge Street!

The Chairman: I have noticed that, as I walk down Yonge Street on an occasional evening, there's an incredible turnover in the small shops on Yonge Street and I notice that the stats deal with places with 50 or more employees and, at the same time, I hear statistics coming out of the Canadian Federation of Independent Business that something like 80 or 90 per cent of all new jobs created are from the small business sector.

I'm wondering whether or not anybody has the net numbers, because there must be an incredible turnover of small businesses that affects people in their jobs; 1, 2, 3, 5, even 49, I suppose, employees.

Do you have any numbers on that?

Mr. Sadlier-Brown: No.

The Chairman: Are they important numbers, or are they not important?

Mr. Sadlier-Brown: No. I think there have been efforts made to try and pin that down, but we don't have anything that we do. Even the labour market flow analysis, where you look at somebody who has got a job and they lose their job and then they got another job, they don't even show up in the unemployment statistics unless they happen to hit the right week of unemployment for the purposes of the normal unemployment statistics that everyone is aware of.

Those dynamics in the labour market are not well understood. There's a lot of work going on about it and there are general conclusions people are prepared to make; that one of the tendencies, for example, of young people in the labour force is that they move very quickly between jobs, which one would expect in terms of sort of shopping for a career niche or just sort of doing their thing. As you get older, you get to be less mobile and stay longer and, if you do become unemployed, you tend to stay unemployed longer.

The Chairman: All right. I wasn't interested in pursuing it if the numbers were not important. I was concerned with something that is often overlooked and I wondered whether or not the numbers are much more substantial than we think they are. You don't know that, though? That would be your own assumption, would it?

Mr. Sadlier-Brown: That they are more substantial?

I think there are probably forces operating both ways. For example, the announced lay-off numbers which we are all aware of because we see the number; frequently the actual number of lay-offs is less than that. It doesn't make the situation any better but, because of the statutory requirements, they tend, when they come up with the announcement, to pick a high number, just in case; so the actual number, when the event happens, is, on occasion, lower than the number that has made the headlines the day of the announcement.

The Chairman: Mr. McGuigan.

Mr. McGuigan: Mr. Sadlier-Brown, in the case where employees come to work Monday morning and they've got a notice on the board that plant is shut down, does the company suffer an economic penalty for not having given notice prior to that date? What is the penalty they suffer?

Mr. Coke: It would depend on the statutory requirements and the length of the term that the employee has been there. You'll see in the paper we've given you -- I can give you the numbers.

For example, if an employee has been -- Chart 1 on page 5. If an employee has been with an employer for 3

months or less than 1 year, he is entitled to one week's notice before he's terminated. If he doesn't receive that notice, he's entitled to one week's pay for that deficiency. If he's been there from 2 to 5 years, he's entitled to 2 week's notice. If he doesn't receive that notice, he's entitled to 2 week's pay.

The Chairman: Are you referring more, Mr. McGuigan, to the personal insult to arriving there on Monday morning and having the notice on the door?

Mr. McGuigan: Yes. Yes.

The Chairman: I think that most people really find that hard to stomach, the worker might end up with the same two-week notice or four-week notice but it's an incredible kick in the head to go to your place of work and find a notice on the door. But there's no special penalty for that?

Mr. Coke: No.

Mr. Sadlier-Brown: There's no advantage.

The Chairman: No, but it happens.

Mr. McGuigan: The reason I asked the question, I was told by a person in industry that they do feel it's an advantage to them in that, probably in most businesses that are winding down, pressure comes to bear the last few months trying to meet certain quotas of work and taking shortcuts here and there and, within the plant, you get a bad climate.

I think that would be the case in most places that are winding down and management sees a windup coming and tries some heroic methods to try and prevent it but they don't succeed and the feeling is, if they give notice, they are going to have a pretty nasty situation during that notice period and, so, they just put a sign up Monday morning, the doors are closed and there's no economic penalty to them. In fact, this chap told me there was an economic advantage to them.

Mr. Coke: Well, they have to pay the employees for each week of deficient notice, and that's the incentive under the Act to provide the requirement for that.

Mr. McGuigan: I suppose you aren't able to answer this but, tell me, this person had experience on the safety committee of the company and so on and he said there's a pattern there; that when you give notice, you get a big increase in claims during that period of time, but I guess the Workmen's Compensation people would be the people to ask. His claim was that you get a big increase in claims once the notice went out and it was to their economic

advantage not to tell the workers.

Mr. Coke: That's understandable.

Mr. McGuigan: You have never heard of that?

Mr. Shardlow: If I may, just as an observation, of all the closures that we deal with, the major situations - and we have been talking about ones in terms of 50 or more - it's very, very rare that a situation like that occurs, where a company will just post a notice saying, we are closed today and here's your pay in lieu of notice. That, by far and away, in the vast majority of cases proper advance notice is given and, indeed, those people may not like what is happening but the union and the company will at least try to work together during that downsizing of operation.

Mr. McGuigan: It might be interesting to check with Workmen's Compensation to see if this person's allegations are, in fact, based on fact. He believes it anyway.

Again, another quick question - it's more personal curiosity.

You mentioned Dominion Stores. I supplied a number of the stores in northern Ontario with various fruits and vegetables. I noticed, during those last few years of their operation -- and I should begin by telling you, I guess, 30 years ago, Dominion Stores were considered the cadillac company to be associated with and they had the best payment policies, the best all-round business policies and so on. If you dealt with Dominion Stores, you were dealing with the best people in the industry.

But, gradually, it came down the index in the sense of the worst because you had no Dominion Stores - they closed down. But during that period in my observation, I spent time with the trucks, delivering, watching and receiving and, every time they got a little penalty. When the workers got an increase in wages, the per hour wage rate, they seemed to squeeze down on the hours of time that were allowed to do certain jobs. In fact, there were times during the week when the produce manager, who was in charge of a long counter of produce, would put his display up and then, actually, there would be times where the store had slow days and there would be nobody in charge of the produce counter and people would come in, pick their produce off the counter and, after a while, especially if there happened to be a little more trade that day than was expected, the counter would begin to look pretty ratty because it had gaps in it and so on, and there were actually times when there was nobody at the counter and, in the end, it seems to me, their policy led to the end of the business. It seemed to be a determination on the part of management there was only

so many dollars' worth of labour and, if you squeeze us into a higher range rate, we are going to give you more to do in a lesser period of time. I thought it had a lot to do with their demand.

Do you have any analysis of their labour costs and so on that would throw any light on that?

Mr. Coke: We just have the last statistics.

Mr. McGuigan: It would be kind of interesting to take a look at that. I think it would be a case study where a company killed itself by being so...

The Chairman: I think it would be a great doctoral thesis!

Mr. McGuigan: It would, wouldn't it? That was my theory; that they killed themselves with the rigid lines that they followed.

The Chairman: Okay, Mr. McGuigan.

Mr. McGuigan: Thank you.

The Chairman: Mr. Wildman.

Mr. Wildman: If you look at Chart 1 on page five, we have talked about this morning as well and we looked at the numbers with regard to mass termination and the minimum being 50, do you do any studies to determine whether or not there are intentional attempts to maintain lay-offs at less than 50 over an extended period of time in order to avoid having to give those numbers of weeks' notice?

Mr. Sadlier-Brown: Mr. Wildman, there are publications in various journals by practitioners who provide employers with advice on how to avoid the mass lay-off requirement. So we don't have to do studies. We know that, because it's the number and because the 50 is there and the period of time is defined in the statute, it is possible for employers to arrange their affairs to avoid the terms of the mass lay-off provision.

Mr. Wildman: There is no provision, however, or any discussion of a provision that would deem a number of lay-offs over a period of time to, in fact, be a mass lay-off because that's what, in fact, it is.

Mr. Mackenzie: In other words, closing one of the loopholes.

Mr. Sadlier-Brown: Well, it's certainly the number, and the period of time in which that number occurs is part of the review that the Ministry has indicated we're taking

part in.

The Chairman: We await all your recommendations with great anticipation. It could help, I think.

Mr. McGuigan: Supplementary to that, I guess.

How would you distinguish between the bona fide and genuine firm who was trying to cope with market conditions and said, well, the first step is to down-size by these 49 workers and we hope that gives us the economy and buys us a little time and that the market picks up and so on? How do you distinguish between someone who was genuinely trying to cope with it as compared to someone who has actually embarked on a program that they knew they were going to throw off the whole 200 but put them off in four lots? I guess that would be...

Mr. Sadlier-Brown: That would require some kind of investigation and some kind of powers under the statute to carry out that investigation and, then, all of the due process that goes with it.

Mr. McGuigan: So, you would be requiring more powers than there presently are?

Mr. Coke: That would be a very difficult question. It depends on the motive of the employer. We don't have power to cover that.

Mr. Wildman: If there were 250 people laid off over a year in lots of 25?

Mr. Coke: It could be circumstantial evidence but not conclusive.

The Chairman: Any other questions from members?

If not, Mr. Sadlier-Brown, and your colleagues, we thank you very much for coming before the Committee on rather short notice. We appreciate it.

The members have had distributed to them, I think, the schedule for next week, including the travel arrangements; so I would ask you to note the message at the bottom that Todd's put in there; if you do have requirements other than what's on here for flights and so forth, if you would let Todd know by tomorrow, okay.

Anything further? All right, tomorrow morning, we meet with the Ministry of Northern Development and Mines.

We are adjourned until then.

The committee recessed at 3:35 p.m.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

PLANT SHUTDOWNS

WEDNESDAY, FEBRUARY 18, 1987

Morning Sitting



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

Bernier, L. (Kenora PC)

Gordon, J. K. (Sudbury PC)

Mackenzie, R. W. (Hamilton East NDP)

McGuigan, J. F. (Kent-Elgin L)

McKessock, R. (Grey L)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Wildman, B. (Algoma NDP)

Substitutions:

Gillies, P. A. (Brantford PC) for Mr. Stevenson

Hennessy, M. (Fort William PC) for Mr. Bernier

Poirier, J. (Prescott-Russell L) for Ms. E. J. Smith

Clerk: Decker, T.

Witness:

From the Ministry of Northern Development and Mines:

Tough, G., Deputy Minister

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON RESOURCES DEVELOPMENT
Wednesday, February 18, 1987

The committee met at 10:11 a.m. in room 228.

The Chairman: The committee will come to order.

Before we get on with the plant closures and shutdown presentation by the Ministry of Northern Development and Mines, for those members who are with us next week, first we will have your tickets available tomorrow. If you are not going to be here or if you want some other special arrangements, would you please see Todd some time today. Otherwise the tickets will be handed out tomorrow for those exotic places called Windsor, Thunder Bay, Sudbury and back to Toronto.

One other point. As you know, the WCB is to come before the Committee and related organizations in three weeks. If you have any suggestions as to who should appear, would you let us know. Otherwise we are just going to schedule the way we normally do with the Board itself, the Minister of Labour, the Compensation Appeals Tribunal, the workers' advisers, the employers' advisers and an umbrella of injured workers groups, so if you have anything other than that, by the way, that would include the Employers' Council on WCB, so we'll have umbrella groups come before us rather than individual unions or anything like that, corporation, labour, so forth. So if you have any suggestions on that, please let us know.

Okay, this morning we have the Ministry of Northern Development and Mines and Mr. George Tough, the Deputy Minister is with us. Do you wish to kick it off, Mr. Tough?

Mr. Tough: Thank you very much, Mr. Chairman. I have with me today Mr. Hurtig and my ADM of Northern Transportation and Special Projects who has special responsibility in the Algoma Steel ACR situation and John Menary, who is manager in the Northern Development and Mr. Lyon who is the GG planning secretary.

If I might say some opening remarks. I told you, Mr. Chairman, that I would like to give you an overview from our perspective and recognize that there may be some detailed questions if you would like to follow-up with us, and we would be quite pleased to do that.

From the overview of our ministry, which is responsible in terms of the general northern development area as well as a particular responsibility for minerals, we see some fairly sobering realities in northern Ontario. Obviously there is a restructuring going on in the global economy, and part of that restructuring is going to result

probably in flat or reduced demand for natural resource commodities.

When we look back 30 years and carry the price projections and price realities for some of our major commodities, and here I am talking primarily about the mineral side, but I think that generalization could be extended to the forest industry, we see that this year in real terms, the price of the major minerals that northern Ontario produces, with the exception, happily, of gold, is lower than it was 30 years ago.

We also would have to say that if we were providing advice to our minister about the likely future path of those prices, we would have to say that we can't see any substantial basis for saying that the price in real terms of those commodities is going to be any higher in future years than it is now, and we say that because of a number of factors, including the substitution effect that we all see that is going on amongst the major mineral commodities.

Some downsizing as well in the automobile sector, a number of things of which the Committee members are well aware.

Aside from those changes on the demand side, there is of course pretty stiff international competition, and we see some advantages that some of our competitors have, whether it's in faster growing trees or different cost structures. We see in a number of countries that are directly competing with us in the mineral side, a philosophy which does not necessarily reduce the supply and production when the price falls.

Indeed we see in a number of countries quite the opposite phenomenon. When the price falls, they endeavour to increase their production in maintaining their currency reserves, so that is all very stiff competition, and we are not alone in the downsizing and the difficulties certainly on the mineral side.

If you have seen what's happened in the United States' base metal industry, you can see that we are certainly not alone, so we see in the northern economy, we see that we are price takers. We have no particular influence, if we ever did, over the price of the commodities that we are selling.

There were some remarks yesterday made by a number of members here and by the labour representatives. We are not dealing with a recession, their impact of a recession in northern Ontario. This is not a cyclical, in our view, problem. This is basically a structural problem in those major resource industries.

We would like to think that we are somehow in some

respects at bottom, but we wouldn't want to risk a great deal to claim that. I guess we would have a view that it's unlikely that there will be more employment in the resource sectors five or ten years from now than there is now. We just don't see the basis for that which is not to say of course that we don't expect a new development to take place, or I guess our view would be that we would be fortunate if we were to be able to maintain employee levels or existing levels in the northern resource industries.

In a sense, aside from the world-wide phenomenon that we are dealing with, we are, in a sense, paid for some past sins in northern Ontario. There were some expectations, as you all remember, toward the end of the seventies which we now regard as the good old days. There were a lot of things which went on at that time which some of us would hope did not -- would wish had not taken place.

There were some attitudes in terms of sharing of the economic events that no longer can prevail, and now we are still in the process of adjusting to some of the new realities.

For example, in some of the mining operations in northern Ontario, we are still not back to the productivity levels that the industry was experiencing in the mid-seventies despite the changes that have taken place, and some of those changes have been, as members are aware, fairly dramatic.

We have in the situation of Inco, where we have half the labour force of a decade ago and the production level is slightly higher than it was at that time. In terms of Falconbridge, we have a situation where they have made some major changes there and we are all aware of some of the difficulties for the community and the workers that resulted from that and the difficulties for the company, and the fact remains, as Mr. James indicated in Sudbury some time ago, that the production costs exceed the prices received for the product, so there is still not an equilibrium situation there.

Now, we would expect that there would be still some adjustments to take place in the northern resource industries there. Now we thought it might be of interest if we could just provide a bit of a framework for the changes in the primary industries. We recognize that some of the concerns the Committee had to do with the primary industries.

What has happened since 1961 in northern Ontario has been shrinkage in the primary industry employment from about 62,000 to about 49,000. You can see, however, in parallel to those negative changes, just about a tripling in the employment in the service sector and small manufacturing and

other industries in the northern part of the province, so that the net result has been an increase in the northern labour force and incidentally an increase in employment in northern Ontario.

And what we are focusing on here really are the changes that are incorporated in that top line. The negative changes that are going on in the primary sector in northern Ontario.

When we look as well at the composition of the labour force, we can see that if you look at the white line there which represents the proportion of the labour force which is in the various sectors in northern Ontario and compare it to southern Ontario, you can see readily the over-representation and over-dependence, if you like, relative to the rest of the province on the primary sector and the under-representation of the manufacturing sector, and a fair fit in terms of the rest of the industrial sectors, whether it's transportation or trade or finance or services, so that you can --

Mr. Gordon: Mr. Chairman, can we have a copy of all of this so that we can ask questions?

Mr. Tough: Surely, Mr. Gordon.

Mr. Gordon: Can we have a copy now?.

Mr. Tough: Yes, we would be pleased to do that.

So that that is the context for the changes which are taking place in northern Ontario mainly in the primary sector although, of course, there has been some changes in the manufacturing centre, so that you can see that commensurate with the changes in the primary sector, we have had an expansion in the service sector.

In the next slide, we compare the labour costs, i.e. expressed in terms of the weekly earnings for May 1986, wages in the various sectors of northern Ontario, and what you can see is if you are fortunate enough to have jobs in the basic industries in northern Ontario, you were enjoying good level wage rates, and what is happening is that with the growth of the service sector jobs you were finding employment and welcome employment, but most of the employment that we are finding in those service sectors is at lower wage rates (and you are well aware of that) than we are finding in the primary sector and, in fact, you are finding in northern Ontario that the wage rates in some of the new sectors, the emerging sectors like trade and finance services, are lower than they are in southern Ontario.

So that you have an interesting phenomenon of an economy where traditionally the wage rates have been led by

the resource sectors, and when those resource sectors, the role of those resource sectors diminishes, the replacement can only be taken by the service sectors in northern Ontario.

A great deal of the positive change of course in the northern labour force in the service sector has been characterized by an increase in the female participation of it.

The Chairman: Hansard is okay as long as you are relatively close to the mike. When you turn around and talk to the screen, we're having trouble.

Mr. Gordon: Just one point. I wonder, Deputy Minister, isn't that a chart you just used a little skewed by the fact that there are so many, many more manufacturing plants in southern Ontario, so if you are trying to compare the north to the south, naturally the south is going to have a lower average so-called wage rate because of the sheer numbers. I mean, that brings it down.

Mr. Tough: I think what we are expressing here, Mr. Gordon, is what we are recording as the average wage rates in the various industrial sectors as measured by survey, and what we are finding, if we can go back to that, Mr. Lyon, --

Mr. Mackenzie: In that same line, should it not be also useful to compare it if most of the manufacturing or at least a lot of it in the north I guess is in your minds and the major operations, if you compared it only with the Stelcos and the Dofascos and the Firestones, you might very well have a match on the wage level.

Mr. Tough: There is a very --

Mr. Mackenzie: There are a lot of small, lower-pay industrial plants that live in Ontario.

Mr. Tough: You are quite right, and there is a growing number of smaller manufacturing concerns in northern Ontario as well, right from Sudbury through to Thunder Bay and so on. That's one of the encouraging things that is going on in northern Ontario is the growth of the smaller manufacturing companies, and they are in general paying less wages in the resource industry.

Mr. Gordon: I guess I have a problem with the slide because you said labour costs, north versus south, and then it does not show that point that we are comparing, you know, thousands of small manufacturers with maybe three or four large people in northern Ontario, so you get a false impression of the cost of labour in northern Ontario when it comes to construction or manufacturing and transportation.

Mr. Tough: I think it would be useful, and we would like to try and do this if we can break it out, but I am not sure whether we can in terms of the resources. There is a component, as you would see, of manufacturing in northern Ontario which is dependent, very closely dependent, on the mineral and forestry industries, and then there is another component, for example the tasking operation in Sudbury which is linked into the auto parts industry, and we could try and break that out for you. It's an interesting question.

The Chairman: Mr. Pierce.

Mr. Pierce: Yes, in the same light and that is is there nowhere in your presentation where you separate major and primary manufacturing to secondary manufacturers because really that's where it's at is the person working in a furniture manufacturing plant in northern Ontario as opposed to the person working in the woods operation which you can consider to be all lumped into one bracket of your manufacturing.

Mr. Tough: Mr. Chairman, what I would like to do is this information is drawn from a larger presentation which we have made not only to ministers but to a number of groups in northern Ontario, and we would be pleased to make the larger presentation available to your committee where we attempt to break that point out that Mr. Pierce has made.

Mr. Pierce: If I were an owner of a small manufacturing operation and I was considering setting up in Ontario and I looked at your scale, I wouldn't even consider northern Ontario as being a good place to locate. I would look at southern Ontario because the wages are much lower, and yet my manufacturing industry may be in no way related to what you're giving out for figures there.

Mr. Tough: Mr. Chairman, let's see if we can break that out. I am not too optimistic that we can do it by scale of establishment, but let's see whether we can or not and bring that back to the committee.

The Chairman: Mr. Hennessy, a supplementary.

Mr. Hennessy: Just a supplementary on that. Also you have to look at the freight charges. It's cheaper to go from here to Winnipeg to ship something which is 450 miles past Thunder Bay, and it costs more to send it to Thunder Bay, and that's where somebody who wants to locate in the north can say, look, the charges of bringing stuff up from the south is way out of line and that's been the complaint of the northerners for years and years.

Mr. Tough: Well that's one of the many challenges. You have got to diversify the economy of the north.

The Chairman: Mr. McGuigan.

Mr. McGuigan: Recently I visited that factory in Wallaceburg and most of the women -- I think the wage rate was around \$8 an hour, and you mentioned that there was some new manufacturing coming into the north. Anything of that type?

Mr. Tough: I think that's a question that could be usefully put to MITT. You are seeing the MITT chairman this afternoon and see what data they have. We have some figures in our larger presentation that shows the actual number and the growth of those firms, but we are not absolutely sure of the nature of that sort of thing. We see some examples.

For example, in Thunder Bay you have a new company there, a small company which is producing video tapes. That sort of thing, and those are all non-industries for northern Ontario. There is no fundamental reason why that can't be done. There is no big item.

Mr. McGuigan: Transportation is not a big item.

Mr. Tough: It's not a big item. Speaking from Mr. Hennessy's statement, but that is one of the big challenges that I think that the north faces, is to find those niches where the comparative advantages outweigh the disadvantages. There is not much you are going to be able to do to overcome the distance advantages to find things, and there are lot's of emerging things on the computer side, the software technology and so on where you can find some niches like that.

But in any event, Chairman, if you would allow, I will make all of that material available, and then if the Committee still has supplementary information, we would be pleased to work with you and see if we can fare it out, some of that useful detail.

The Chairman: I should tell you that yesterday, we were left, certainly I was left with the impression by the Ministry of Labour that they were a small player in the whole question of plant shutdowns and policy making compared to two other ministries, yours and the Industry, Trade, so we are looking forward to your comments.

Mr. Tough: Thank you.

Mr. Wildman: And even Skills Development.

Mr. Pierce: He has the unfortunate position of being last on the agenda.

Mr. Gordon: Weren't we promised the production of

some unique and innovative programs too by this ministry, by the Ministry of Labour yesterday? Remember they said they had the programs. This was the ministry that was going to come forward with some innovative ideas, so that's why we are all here this morning.

The Chairman: That's why there's such good attendance here this morning.

Mr. Wildman: They also said it was Skills Development. I wonder how much buck-passing we were involved in?

The Chairman: No, no. We won't allow that.

Mr. Gordon: These are not the political people.

Mr. Gillies: The trick here is to be here first.

Mr. Tough: Thank you very much. Late advice is of no value to me, sir.

The Chairman: Let's move on.

Mr. Tough: Maybe we can just go on to the next slide here. What we have attempted to do here is to indicate what has happened over the past period of years in terms of layoffs of 50 or more. We have attempted to break that down by region, and if you go to the slide and you look at northeastern Ontario or northwestern Ontario, you can see the clobbering that the region took in 1982 and 1983.

That's when the commodity markets just went down precipitously and we were in company with a lot of other raw material producers. You can see that that phenomenon was not entirely a northern Ontario phenomenon, and you can see that in all regions, the layoff phenomenon is continuing, although in most areas, it has flattened out considerably from the peak.

You can see if you go to the bottom line, you can see that in relative terms, northern Ontario took a very serious hit in 1982 as the recession really started to bite there with nearly 20 per cent of all of the major layoffs in Ontario occurring in that region. We are now down two. We don't take any particular satisfaction in this, I want to assure you, but we are down now to a point where the number of layoffs is about proportionate to the level of population.

This is not to say that the employment situation in northern Ontario is by any means satisfactory, but we are now down significantly from the point where the major recessionary impact took place and we are now dealing with more structural problems of corporate.

The Chairman: One wonders what the northwestern MPP's were whining about compared to the northeastern Ontario MPP's.

Mr. Gordon: Yes.

Mr. Tough: That's also reflected in the unemployment rates in the two areas too. There is no cause for satisfaction, number one, but the levels, unemployment levels in northwestern Ontario continue to be quite a bit lower than about four percentage points, I think lower than in northeastern Ontario.

Mr. Wildman: You said that the last part is structural as opposed to the recessionary impact of '82, '83, but it appears to be going up again.

Mr. Tough: Well, if I think I go a couple more slides, we have a view on that as well, Mr. Wildman.

Now we also want to make the point, however, to emphasize the point particularly from a mines and minerals perspective that while we look at discouraging news on layoffs, there is nothing novel in mine closures and there is nothing novel either in mine openings, and the whole challenge is to try and get at least a reasonable balance between the openings and closings.

And I won't dwell this morning on the developments which have happened in the recent past and the ones which we are hopeful will take place, but we see our challenge in our ministry as not particularly innovative, but we see one of the challenges in your ministry is to get more mines and provide an incentive framework for mineral developments so that we get more mines to take up the slack, to at least take up the slack occasioned by closures and, if possible, find some new employment opportunities.

Mr. Gordon: Chairman, just one point though. When you say by layoffs of 50 or more, by this you mean you are only looking at those laid off 50 or more?

Mr. Tough: That's right.

Mr. Gordon: I think that's again deceptive, in a point. I don't think you are trying to deceive us, but I think that when you look at the north, the businesses are smaller, a fewer number of employees, so when there is a downturn in a recession, I mean, it rolls right through the whole economy. So really, I don't know whether these figures really tell the true story about what's happening in the north.

Mr. Tough: Chairman, may I go on to the next slide because I think it does not disagree with the point that Mr.

Gordon has made.

Mr. Gordon: And the second point I would make to the Deputy Minister is we say here northern Ontario as a percentage of Ontario, but what is this to northern Ontario as a percentage of the population in northern Ontario?

Mr. Tough: Again may I reserve 30 seconds, Chairman? If I go on to the next 35 millimetre, then you can have that.

This is one of the slides which we find a major challenge for us in the ministry, which I am sure a number of the members do too because it responds to some of the points that a number of members have made.

Cutting through all the detail, if you look at the unemployment rates in the various regions of the country and you look at the unemployment rates in northern Ontario compared to Ontario and to Canada, it's useful to -- and the green line is northern Ontario, the red line is Ontario and the white line is Canada, just for those of you who have got it in monochrome.

What you see, if you go back to the beginning, to the decade of the Seventies, you see that the unemployment rate in northern Ontario was round about the same unemployment rate as prevailed in Canada as a whole. Sometimes a little above, sometimes a little less, and even -- it's important to recognize that even in the good years, even in those good years of the late seventies, the unemployment rate in northern Ontario was still round about the national average, and it has been back as far as it can be measured and it has always been higher than it has been in Ontario as a whole. It's always been significantly above the Ontario average.

You see the major divergence which occurred in 1981 and 1982, and a number of things have happened which are of course troublesome. First of all, our rate in northern Ontario went up faster and it went up farther and it's not -- it didn't come down as fast, and the final point is that based on the most recent information, it's not coming down any more. So that you can see a number of divergences from what has been the past situation in northern Ontario.

Mr. Wildman: And Canada.

The Chairman: There are a couple of members with questions.

Mr. Mackenzie.

Mr. Mackenzie: When you said one of the challenges of getting into this later on in time, but when you said one of the challenges was to find or develop more mines,

included in that scenario, would you include in that the possibility of some import replacement? I think specifically in terms of iron ore products as against what's coming in from the States or other locations, and in spite of the agreements that may be there corporate-wise and I guess in the same lesser extent to uranium? It's Canadian, so I am not sure if the argument is as effective, but certainly an iron ore product.

Mr. Tough: An iron ore. I guess I would have to say maybe you picked an unfortunate commodity. What we have seen over the past few years, and again, we have some supplementary information that we would be pleased to share with you, is a shrinkage in the iron ore industry in Ontario to the point now where we have three mines left in northern Ontario, at Wawa and the Adams Mine and the Sherman Mine, and those are in very stiff competition, not only with world-wide competitors but from Wabush and other places to the east of us here, and I would say that we would be fortunate to maintain what we have.

That would be my professional view. I don't think we can see that unless we are fortunate enough to turn up some high-grade deposits of which we are now unaware, we would be hard-pressed to develop anything on any kind of an economically viable basis, develop as a substitute for imported supplies, whether you mean by that imported from Quebec or from elsewhere. I think that's a reality.

The Tilden mine has got its own problems, we understand, and as I think certainly Mr. Wildman and Mr. Morin-Strom are aware. A couple of companies have walked away from that mine because they are also encountering difficulties in maintaining its competitive position, but we are well aware of the arrangements for the Algoma Steel, and we are watching that very carefully to make sure that in the mix of ore requirements for the steel mill that due account is taken of the needs of the Wawa mine.

Mr. Mackenzie: Isn't it accurate that because some other companies have walked away from that that Algoma has to take more of it?

Mr. Tough: It's not clear whether they have to take more. They have some provisions in there that are on the hook for some pretty steep financial commitments. We know they are looking at that very, very closely, and they are aware of the concern that certainly would be expressed by this committee and by ourselves as well.

Mr. Mackenzie: It would stand at the same time they are facing threats of restrictions on finished steel imports that -- well, I don't like the game that we get into -- is that you don't ship your iron ore products.

Mr. Tough: Well, I can't comment on that.

The Chairman: I'll take these in order.

Mr. Offer.

Mr. Offer: Thank you, Mr. Chairman. With respect to that particular unemployment rate chart, I have a question more for clarification.

I would take it from the way it's been presented that the northern Ontario unemployment rate has been factored into the Ontario unemployment rate, and if one accepts that the unemployment rate in northern Ontario is higher than, for instance, in southern Ontario, we would not be in that particular chart seeing a real picture as to the difference in the unemployment rates, vis-a-vis northern Ontario and the other rates.

And just for clarification purposes, I am wondering if you have charts of that nature where one could see visually the northern Ontario unemployment rate and the different sectors, even if one did northern Ontario and southern Ontario without factoring in the higher employment rate, which of course would have a tendency to raise the Ontario rate and make it more in line, and I am wondering if you do have that type of information that might be of help.

Mr. Tough: Yes, two points. That information is available and we can certainly provide it. It is drawn from the labour force surveys that are done from CEAC, the federal agency. The second point to remember of course is that we are dealing with 10 percent of Ontario's population in northern Ontario so that the extent of skewing is not particularly significant, so it wouldn't change the picture very much, Chairman, although there is no -- we could certainly --

Mr. Mackenzie: It wouldn't be any better.

Mr. Tough: No, it would -- because in northern --

Mr. Offer: I don't think it would be better. I would think that it ought to be a larger gap.

Mr. Mackenzie: That's the point I am making.

Mr. Offer: That's what I would like to see, a truer gap basically.

Mr. Tough: We could certainly do that. We think the point is well made, however, comparing it both to the federal jurisdiction and the provincial jurisdiction, but having said that, sir, we can provide that.

Mr. McGuigan: The big increase in northern Ontario, would that be partly or even largely explained by the fact that -- The impression I have is that you have had a greater substitution of machines for labour in the resource industry than you have in the manufacturing industry.

You think of a man on the machine that grabs a tree now and cuts it and strips it and loads it on a truck compared to the old manual and even partly-assisted system that we used to have. It seems to me you have had a greater gulf in substitution in endorsing the independent manufacturing.

Mr. Tough: That may be the case or it may not. I don't know, I have to say, but the major change which occurred in the unemployment level in northern Ontario was the major layoffs in the resource industries in '81 and '82, and since then of course there has been a continuing reduction in labour force per unit output for the reasons you have described.

So there has been two things going, one, the level of production has dropped in some of the industries and, secondly, the output per person has also increased, but whether there has been a fundamental difference between the manufacturing and resource industry, I couldn't say. We keep trying to find something on that.

Mr. McGuigan: I think you would find a taxing situation in southern Ontario in farming. I realize it doesn't have the impact because it's much easier in southern Ontario to move over into other occupations, but I will bet you that the same relationship exists in farming as exists in the forest industries. The labour-saving devices cut into it something terrible.

The Chairman: Mr. Wildman.

Mr. Wildman: Just a short point. While you indicated, George, that the rate in the north since '81/ '82 has been held out faster and farther and hasn't come down as much, the other two lines though indicate that they are continuing down while in the north it isn't, and not only is it significantly higher as a percentage than Ontario as a whole, it also now is higher in Canada as a whole whereas previously it was -- the northern Ontario unemployment rate was in line with the Canadian total federal situation.

So it certainly indicates some problems in the future. It might be interesting if we had a line comparing northern Ontario unemployment rates to Cape Breton or Newfoundland.

Mr. Tough: Well, that's all certainly available, and we are aware that within the Canadian national average for unemployment, we do have some places which are very well-known for having high unemployment rates at the present

time rating from the West Coast, B.C, through to the Atlantic provinces, and the economies are not dissimilar and that's why --

Mr. Wildman: There are a couple of other things. Isn't it also true to say that in all of those lines, Indian people are not included?

Mr. Tough: To the extent they are in the labour force, they would be included, but most in northern Ontario I think -- is that a fair assumption? Yes, this is the House -- yes.

Mr. Wildman: So the problem you have got is you have chronic unemployment on northern reserves. That's not included in this line.

Mr. Tough: Yes. Mr. Chairman, if they were among the groups of which were contacted, they would be incorporated in the sample.

Mr. Wildman: But in fact if they are living on a far northern reserve which chronic unemployment is a problem and they are not seeking employment in the sense that they are eligible for unemployment insurance, they are not included.

Mr. Tough: This particular measure is not measured by unemployment insurance.

Mr. Wildman: I understand. I understand what you're saying.

Mr. Tough: But there is an understatement in terms of the number of people who are not participating because of remoteness and there is also an understatement, which I can touch upon I think in the next slide, which looks at the unemployment rates by category of people in northern Ontario, and I guess there is a couple of observations which are consistent with the last slide and that is that the rates in northern Ontario are consistently higher than they are in the south. Most members of this Committee would know that.

Also, across they are consistent generally within the various groups, whether it's youth or whether it's females. Pretty well, as a generalization, you can say that the rates in northern Ontario are round about half again what they are in Ontario as a whole.

There is an important exception, however, and I don't think we should overlook this. You will see that the rate for heads of households in northern Ontario is not as high above the Ontario average as the other rates. Again, we don't take any particular comfort in that, but it is at least some source of encouragement that the rate for heads

of households is lower than it is for some of the other categories.

Now at the same time, you have to say that in some of the categories, particularly in female unemployment levels, I believe it is the case that the participation rate by females in northern Ontario is lower than it is in Ontario as a whole, and to that extent, the unemployment rate for females would be understated there.

The youth unemployment levels are of particular concern as well partly because of the numbers that are there and also because of the realities that we are now finding in those resource industries, and most of us can remember when the resource industries hired students in the summertime, and now not only do they not hire students in the summertime, but many of them have a summer shutdown so that the opportunity is no longer there for that kind of employment and that kind of work experience and, therefore, that's going to affect the rates in northern Ontario.

The Chairman: A lot of potential there for youth projects, Mr. Tough.

Mr. Tough: One could say so.

Mr. Wildman: Also when you consider the numbers of young people who have left the north and without migrations those numbers might, in fact, indicate an understatement in higher numbers of people.

Mr. Tough: Yes. Members may have heard a number of municipal representatives in northern Ontario and certainly Mr. Fontaine drew attention to this point, that as well, when we are looking at the challenge facing all of us in terms of northern development, we should recognize that over the years, a number of people have fallen off the first level safety net. They have fallen off the unemployment insurance system and have fallen on to the welfare rolls which, of course, among other unfortunate consequences, means that the municipalities in northern Ontario have an increasing burden to handle that phenomenon.

You can see very briefly that if the yellow bars there represent the number of employable welfare recipients in the province as a whole and the white line represents the proportion of those employable welfare recipients living in Ontario who live in northern Ontario, and you can see that while that line in the early part of the eighties before the bite of that first hit on the recession took place, the proportion in northern Ontario was flat or in fact declining.

And you can see what's happened since those years, that the rate has increased, the proportion of employable

welfare recipients living in Ontario who live in northern Ontario has increased over that period, and again, that's a strain, not only on the individuals but families who are affected by the northern communities.

You would see from the material that we have that about 16.7 per cent of the total are in northern Ontario, and you can --

The Chairman: I am confused by that chart. Maybe it's just me. We are talking about the percentage of employable welfare recipients in the north as a percentage of all Ontario welfare recipients?

Mr. Tough: That's right, as a percentage of all employable welfare recipients. The yellow bar, Chairman, represents the total number of employable welfare recipients in the province. The white line represents the proportion of those who live in northern Ontario so that we end up in 1985 at 16.7 per cent of the total employable welfare recipients in this province who live in northern Ontario.

Mr. Wildman: 10 percent of the population.

Mr. Tough: Chairman, pardon me. There is a scale, the differential level. There are two scales. The left hand scale represents the volume, the number, and the right hand scale represents the percentage.

The Chairman: Mr. Gillies.

Mr. Gillies: I'm sorry to skip back a slide, Deputy, but I am looking at that youth unemployment figure which is truly shocking, and I just wondered if you might be able to provide for us a breakout of your own ministry's youth employment programs and training initiatives in the north and also the percentages, if they are available, of all of the Ministry of Skills Development programs which are being applied in the north.

I know our policy, when I was minister, was to try and target extra funding into the north because of that problem, and it would just be useful to take a look at that.

Mr. Tough: I could certainly take that under advisement, and I know that you'll want to pursue that a bit with my colleague in another ministry, but I am not passing the buck. We think that we have been successful at getting an orientation on the parts of Skills Development and the training expenditures into northern Ontario. There have been extra funds provided.

We can provide you the best breakout we can. We also initiated an admittedly small-scale northern internship program last year, and it would be our intention if in the

final analysis it looks as if it was a sensible thing to continue that.

We are anxious, however, not to proliferate the number of programs in northern Ontario, and I hope the Committee agrees with that; as much as possible, we would like to work within the ministry whose responsibility it is to provide training and youth employment and then use our advocacy scales skills, and we hope the skills of some of the members of this Committee, to promote an approach on the part of Skills Development that gives an additional focus to northern Ontario, and we have been -- as I say, we believe we have been successful in that effort.

The Chairman: It wouldn't be unfair to say through that chart that although northern Ontario has one in ten of all people that live in northern Ontario, one in six of all welfare recipients in northern Ontario?

Mr. Tough: That is said better than I would say it. Thank you, Chairman.

Mr. Gillies: Just further on that point and also tying back to the concern about youth, I wonder if it would be reasonable to assume that because of the particular unemployment problem among young people in the north, that this proportionate number of those employable welfare recipients would also be skewed towards younger people?

Mr. Tough: We have to take that under advisement. I can't promise. I don't know what we can get there. There is a lot of work that's been done by a couple of municipalities.

Sault Ste. Marie in particular has done some good work on this and the region of Sudbury has also done some work. Let's see what they would have for us. If I could just go quickly to the --

Mr. Pierce: Mr. Chairman, it's also interesting to note that in the employable welfare recipients, you are including natives. Is that including natives on reserves as well?

Mr. Tough: Are we positive about that?

Let us check that. I don't want to make a statement that might be wrong. If I can get back to you.

We swing from those aggregates to something which is of particular concern to our ministry, and that is the impact and the implications for the various changes that are going on in northern Ontario for the communities, because I think as the Committee itself has pointed out yesterday, we are concerned, when we are looking at layoff situations and

closure situations, we must be concerned not only for the people who are directly affected by the closure, but for the communities that are affected.

And why we are particularly concerned in northern Ontario is that of the 179 municipalities in northern Ontario, it's estimated that about 50, 52 are single industry resource communities and that means a community that is primarily dependent on one employer in the resource industry.

And you can see that of the 52, there is a fairly even distribution between the various sectors, whether it's pulp and paper, sawmills, mining and minerals or logging.

Just as important or perhaps more important is to recognize that of the 52 single industry communities that we are dealing with, 30 are 2500 people or less, and that means that when you have a closure or a layoff situation, you have a concern, as I said, not only for the employees who are directly affected, but for the continuing viability of the community.

So that they have been a particular source of concern, and partly for that reason, we asked the Rosehart Committee to have a look at some of the problems and possible solutions for those kinds of communities.

The Chairman: I wonder if I could ask you, there must be of great difficulty to make those dividing lines because I can think of a committee, and I'm sure other members will, and have other examples in my constituency of Nickel Belt, there is a town called Chapleau, which is about 4,000 people, and it's probably not classified as a single-industry community, because it has got a railroad, it has got some tourism, it has got three lumber mills -- sawmills, but if the sawmills ever packed it in there, it would be disaster-ville.

So that chart probably, and I am guessing here, but that chart probably doesn't do justice to how serious the problem really is.

Mr. Tough: Well, chairman, let's come back to you on that with the basis that you see from the material that I have. There was some work done in 1982 or work done to attempt to segregate those communities, and we invite you to examine the basis for that, and obviously, if there was -- it's measured as about 20 per cent or more dependence on a single industry and I don't know whether that catches Chapleau or not.

The Chairman: I just used that as an example. For jobs you said 20 per cent?

Mr. Tough: 20 per cent of employment.

Mr. Poirier: There is no question of what that percentage was because there is no such community that is 100 per cent. I mean, there must be some kind of service whatsoever, so the breaking point is 20 per cent.

Mr. Wildman: Duperville.

The Chairman: Mr. Wildman has one of his constituencies called Duperville.

Mr. Poirier: So it's 20 per cent?

Mr. Tough: That's right. That's right.

Chairman, I guess we sum up with some implications from the point of view of the work force and the downsizing, the productivity improvement and the closures, what we are seeing up there is a narrowing band of well-paid middle aged workers, and that for those who happen to be among that well-paid band, that's a happy circumstance, but I think there is a set of issues there which we know the industry is confronting in dealing with the need for a productivity improvement and technological change.

They are going to have to be thinking of ways to inject young people into the bottom of their work forces over a period of time. In a situation where your overall labour force is not growing, and we know that they are seized with that.

Paradoxically, that has been caused in part by provisions which I am sure we all welcome. The option of early retirement in a number of the operations instead of recourse to the old seniority-based layoffs in its entirety. However, you have had attrition at the top and you have had attrition at the bottom in most of those operations.

The Chairman: It's just that Inco made a presentation to our caucus a week or two ago, a couple of weeks ago, in which they were very, very concerned. The average age of the work force at Inco is now around 45 years.

That's in the heavy mining industry, and they have offered all the early-retirement programs already that they feel they can offer, and with attrition still going on with more efficient operations, that can only get worse. It's quite serious there.

Mr. Tough: I am sure they are quite concerned about it and looking at it very closely, how to deal with that. It has obvious implications for the community in terms of job opportunities, not only for youth, but for people who are in their twenties and so on, and the implication of that

is that it's not likely that there is going to be much upside opportunity for the lower age groups in those resource sectors except in new mining operations like the Winston lakes and so on. We would hope that there would be some there.

But we do have a supply of quite well-trained people who are ready to move to new operations from existing operations so that there is not a huge upside for new entrance to the labour force and certainly in the mineral industry, so that that gives rise to some circumstances in places like Sudbury where you have households with two modest incomes.

You have in some circumstances a wife who works in the Revenue Canada taxation office and the husband who may be on early retirement and so that the total family income is perhaps not as much as it used to be, but it seems to be satisfactory, and what we attempt to do in a number of those cases is to make sure that there are an increasing number of those other options available, and that's one of the motivations behind the relocations to those areas.

The Chairman: Mr. Gordon.

Mr. Gordon: Have you looked at the implications of what happens in a community like Sudbury when these retirees do begin to fade from the scene? What's the percentage of retirees now in Sudbury?

Mr. Tough: Well, we know that the Committee has asked that and we would like to get in touch with the larger companies. The story is, and it was reflected I think in the Report on Business Magazine Article on Sudbury which, incidentally, was quite a positive article I think, if a number of members have seen it.

It says that there are I believe as many retirees as there are active workers, and I think that we have heard that, I believe, from a number of the companies, so that's a fair supposition. It's a very large number of people who are there.

The Chairman: If I could help you, Mr. Gordon. The Commission on Electro Expenses - I believe - Distribution Commission, put together a book about that thick which breaks down by age group every single riding in the province that has that for Sudbury.

Mr. Hennessy.

Mr. Hennessy: It's the same thing I was going to ask. When do they start retiring people working in a mine that are in a hazardous position?

The Chairman: When do they retire?

50? Mr. Hennessy: Well, what age do you start looking at,

Mr. Wildman: 50, 55. That's early retirement.

Mr. Hennessy: That's what I was saying.

Mr. Tough: So, Chairman, I guess out of all that, what we are seeing is a perception, a growing perception I think in northern Ontario, not necessarily liking that perception, that we are probably in for a continued structural change, continued downsizing of the existing operations in terms of employment per unit output, and that has implications for the resource towns.

We are also witnessing a very much intensified search for alternatives. A recognition. Even in the towns that saw themselves as relatively comfortable are now quite aggressively looking for alternatives.

What we see also in terms of emerging trends, what we see also in a situation where the pie isn't getting any larger, we are seeing situations where companies and their workers and communities are groping to find out successful ways to achieve all of those changes, and we see just not daily but quite frequently companies which approach their workers and government for concessions of one form or another.

In return, there is an increasing tendency on the part of labour to find out the basis for those company demands. Let's see the books, and we have seen that in a couple of operations already, the Algoma situation and the Falconbridge discussions.

We appear to see a trend which says that everybody is in this, that it's not strictly a matter between the labour force and the company involved. We have seen a number of instances where everyone has had to agree to pull together.

We also see there that the government is going to have to be sensitive to the necessity, to be fairly flexible and pragmatic and respond to situations as they emerge and try not to forestall change but to foster change.

As committee members are aware, there is a lot of history in this area of governments that try to have things not happen, to try and prop up industries and situations that were uneconomic. I guess it would be our view in the ministry that we should be looking much more to seeing what we can do to foster positive change, and we would say that there are some things which are going on now which could be done better.

For the moment, we would suggest that there are some policies on the part of the federal government which are not helping. We understand the reasons why they wish to have those in place, whether it's deficit reduction or broad policy, but the policy that had been in place in terms of severance, the treatment of situations where a company, for example, wants to compensate the employee for the loss of equity in his house.

There is a policy on the part of the tax authorities as treating that as income. We think it's not conducive to the flexibility in the marketplace. A policy which only reluctantly provides mobility assistance to labour that wants to move from one operation to another. We have, and I think Mr. Wildman would agree, in Wawa, we have a situation there where it seems to be not possible to get --

Mr. Wildman: Well they have just said that they will give it in special circumstances.

Mr. Tough: In special circumstances, that's right, so there are some areas within the training area. We have a situation at Terrace Bay in Schreiber where we have a potential fit between a number of people who are displaced at Terrace Bay and a number of people who might be taken on at Schreiber.

You have two willing employers, and I think the challenge there is to make sure that the training programs that are available there recognize the unusual circumstances of that case.

We say, as all of that is going on, that we want to clean the environment and we are not prepared to compromise safe and healthy work places and that we recognize as some cost implications in terms of our competitive position that they are given.

Well, we go toward our bottom line, Chairman, and we say that one of the things which we believe should govern our actions is to facilitate the positive change, create new jobs where we can, ensure that there is a safety net for communities where we can, and the point that I made earlier, we believe that there are some changes that could be made in the stance towards these circumstances which would foster positive change.

We think we have a job to do in enhancing the supply of minerals and making it attractive for people to find more mines and we put some money through the northern development fund into a range of situations which we hope will address not only the problems of particular communities like in Ear Falls or Wawa, but to try to begin to address some of the structural problems that are there.

In the case of some of the larger communities at least that have been hit by changes and see the possibility of further change, we have done some relocation. We are working quite closely with the municipal authorities and other ministries in terms of diversification, economic development studies in a number of those communities, engaging communities with us in waterfront development.

A lot of work going on in tourism opportunities, recognizing that that's not the total solution, but certainly a contribution to making things better.

In the case of Wawa, we have focused, as we think the government should do, on a kind of a crash basis to see whether there is in the rock around that place, whether there are some possibilities for further development that would take the place of the eventual closure of that iron mine.

We are not kidding ourselves that that mine is going to be there for 20 or 30 years, but we do have a view that in the geology of the area, there is some prospect for replacement employment.

We are also doing some work in participating with the community in terms of tourism studies, participating with that community-led effort into the feasibility of the forest products research. There is an array of other initiatives.

Mr. Wildman: Mr. Chairman, I don't want to take up the time of the committee, but I would like to have a word with you afterwards with regard to the resource access roads in some areas.

Mr. Tough: Certainly.

The Chairman: You are not lobbying for certain roads here, are you?

Mr. Wildman: Yes.

The Chairman: Oh, okay. Raised many times, Mr. Wildman.

Mr. Tough: So we would be quite happy to have a discussion of the kinds of things that we do in those circumstances. I might just mention one because it ties in with one of the recommendations in the Rosehart Committee report.

We have engaged Dr. Bob Rosehart to act as a facilitator in the situation in the Thunder Bay wafer board plant where in fact the wafer board plant was closed, and it was our hope that maybe if the various people got together, it would be possible to open that plant on a modernized basis.

That is not something that you can do all the time or in every place, as they found out in British Columbia, but we think it's a useful initiative action to pursue in a situation where there seems to be a basic viability of the operation but there doesn't seem to be any agreement on how it is to proceed.

Mr. Pierce: When does that plant open?

Mr. Tough: We don't have a date for it. I guess what we are doing is saying we will provide a facilitator and get the parties together. We would be prepared to make a contribution to a modernized plant, but ultimately, it's the company and the union that have to decide how badly they want this, so I can't give you a date. We would hope soon a decision is taken to proceed with the plant and then open it.

Mr. Pierce: Is the process still ongoing? Are all three parties still meeting?

Mr. Tough: The latest report I had was when we were in Thunder Bay on Friday. Dr. Rosehart was to meet with the company that evening. He had already met with the union, and he was trying to find out whether it would be useful for him again to sit down with the two parties or whether the two parties wished to continue to talk on a bilateral basis, and as he spoke to us on Friday, he thought that there was a good possibility that they would sit down once again.

We also spoke to Mr. Bolts, and he was of a view that he thought that they could sit down and give it another try.

Chairman, that completes my remarks. There are some mentions on the last page of my little deck here of some things which have been tried in other areas, and I mention those not to say that we think they are great ideas or whether we think that they are not so great ideas. I guess what we would just caution is that in none of these kinds of initiatives is there a solution to the kinds of downsizing which has taken place and the kinds of changes that are going to have to be necessary in the future.

In the case of the Commissioner of Critical Industries in British Columbia, the fact that that position was created didn't end the need for some hard choices. The magic in that solution of course was that that hard choice was delegated to the commissioner and he did, in medical terms, a triage operation on each of the companies that came to him and said this one is not going to make it or this one might, and so that there is still that kind of a choice to be made.

In the case of the Heritage Fund, we have recognized that there is support for something like that kind of a

notion perhaps in northern Ontario. All that we would counsel, however, is that if you look at the experience of Heritage Funds in those areas, the availability of a large gob of money has obviously not been the solution to a diversified economy, and what you found in the case of Alberta, if you look at where the money went, not very much of that, unfortunately, went into the diversification of Alberta's economy, which is not to say that it's not a useful device, but we are cautioning people who ask us that we should not view things like that as panaceas.

There is going to be some changes in the northern economy, and we have to see if we can get increased employment in the various sectors, but we haven't encountered a magic solution, either in the commissioner idea or the other ideas.

I would be quite happy to take questions.

The Chairman: Some of the members want to ask questions. Could I ask just a general question first.

Has the Ministry of Northern Development and Mines decided that they have two options; to either put money into "make work" projects, relatively short-term, and moving some civil servants up there as one package versus the other option of a much tougher political decision not to do that and to restructure -- try to take part in the restructuring, be a partner in the restructuring of the northern Ontario economy. Is that a fair option?

Mr. Tough: It's a fair question. I guess we would take the view that those aren't two mutually exclusive choices. I guess we say that we have have to do all of those things. There is some major work to do in terms of keeping those industries competitive.

I think it is fair to say that perhaps if we were all to go back into the seventies when a lot of the companies were flushed with cash, there might have been some things that you might have started in terms of productivity improvements that we are now having to start.

There is a lot of work to be done certainly in the mineral industry to increase the competitive position there. We can do more in terms of providing the basic geo-seis data to the mineral industry than we are now doing, and we will, and we can provide much more help than we have in the past in bringing the actors together for basic research in the mineral industry.

I think we will observe that there has been for a long time a lot of talk about co-operative R and D in the mineral industry and the resource industries in general, and you have seen that over the period of years, and what we are

trying to do, particularly in the case of Sudbury, and as we can with the Lakehead and the forestry area, is to bring together the various actors, and you have seen, for example, the creation of a research director within the OMA, and we have played a role in that and we are very happy that it has come along.

We will create some cross-appointments between Laurentian University and the others which we think will not only strengthen Laurentian, but provide a better basis for R and D in the mineral industry. That's long-term. That's not going to have an immediate impact, but it's got to be done if we are to remain competitive.

If you look, for example, in Mr. Gordon's riding, you have a mine that's closed now that is on the grounds that the company is not sure that it can be made safe, and that tells us, among other things, that there is a great more work that needs to be done collaboratively on ground control, and the industry has now agreed and we will have a research chair in ground control at Laurentian and we'll do that.

The Chairman: I know that the Resources Machinery Development Centre is under the umbrella of Industry, Trade and Technology; however, has your ministry taken a look at the operation of that facility?

Mr. Tough: We have not taken an intensive look. We have been invited and we will with the idea of developing a better linkage between everything that we have in that Sudbury area, and we would like to build some bridges, some stronger bridges between that centre and what we would be doing in terms of the Laurentian activities and the activities that are going on at Inco and some of the other places.

It's a point well taken. We need to do some more knitting than has been possible in the past.

The Chairman: Maybe I will write you a letter on that.

Mr. Tough: Thank you.

The Chairman: I really feel strongly about the role of that organization.

Mr. Wildman, Mr. Pierce and Mr. McGuigan.

Mr. Wildman: I have a couple of questions in regard to the Advisory Committee on Resource Dependent Communities and what the ministry's response has been.

You mentioned the Commissioner of Critical Industries

in British Columbia, and that that is not a panacea. I mean, that's obvious. I think he has dealt with six communities out of a possibility of 50-some, but there was some consideration of an appointment -- sort of a board of part-time commissioners somewhat something along the lines of the arbitrators that are available in the labour field who would not be full-time but who could be called upon, as Dr. Rosehart was, with regard to the Thunder Bay plant, to deal with specific situations, either particular plants or communities that are threatened.

I am wondering where the ministry is at in consideration of the implementation in some way of that recommendation.

Mr. Tough: Where we are is this: We saw the recommendation coming out of the Committee. We were aware of Mr. Art Phillips' activities in British Columbia. We asked -- perhaps fortunately a situation arose fairly quickly where it was felt that it would be useful to try it out. Try the model out and ask Bob Rosehart to involve himself in, first of all, a study, an independent study of the situation at the wafer board plant in Thunder Bay, and then, if he was welcome, to involve himself as a facilitator or a mediator with the union, with the company, and in acting in a facilitative role with those government ministries that had a role to play in a solution and principally the Ministry of Natural Resources.

And what he succeeded in doing so far, as we understand it, is getting some things resolved which were important and, for example, on the wood supply with the Ministry of Natural Resources, we think that he has made a very positive contribution and I think the company would say so.

There are some discussions also in terms of training in the interim. If you are going to build a new wafer board plant, it's going to be very difficult to start up the old one. I mean, technically it's going to be very difficult.

In those circumstances, there is a lot of consideration being given to providing some training for the people who would be employed in the new one and who, incidentally, wouldn't have work in the old one, so we are looking at that model. The story is not over yet. We hope that there is a positive outcome in terms of investment in the new plant, but even if there isn't, I guess we would want to evaluate how that procedure has worked in an Ontario context.

We have also tried another model in a slightly different sort of a situation in the Dome Dona Lake issue where Dome Mines wants to build, wants to establish a mining project in an area that is not very far removed from the

Ozenburg House Indian reserve, and we have hired Professor Grant from Osgoode Hall to act as a facilitator in that case to try and work out terms and conditions that would be agreeable to the company and to the natives that would allow that project to proceed.

We think that that is another kind of example of where it seems to be attractive to the various parties to have someone who is a disinterested party, and what we would propose to do and what we would be advising our minister and other ministers to do, watch those two very closely, see what lessons you may have learned out of those and then decide whether you wanted to put that in place in Ontario.

I guess the only point that we would make in terms of our present involvement so far is that one of the ingredients is that you absolutely must have a concurrence on the part of the parties. There is -- it's absolutely dead end to put a commissioner or anybody else in the middle of a situation where the bullets are flying, and I think that there are some other circumstances of which Committee members would be aware where you would say maybe it's not propitious to put somebody in there just yet and watch the situation.

So the bottom line is we will watch this one and see how it comes out. We have asked Bob Rosehart when he has completed his assignment, whenever it is, to do us a little report which would be a kind of a supplementary to the one which was included in the committee report that says this is what the Committee recommended. I have done something like that and here are my views at the present time, and I am sure he would not be reluctant to share his views with the people who were originally with him on developing that scheme.

Mr. Wildman: Okay.

Mr. McGuigan: I have a supplementary.

Mr. Wildman: Sure.

Mr. McGuigan: You're saying it's not propitious to put an independent person in there. It seems to me you are saying that you don't want to put him in because he is not needed. Isn't there some use in having an independent person to identify the problem?

Mr. Tough: Somewhere in that spectrum is where the individual is most helpful. Obviously, if you don't get the concurrence of the company or the concurrence of the labour force, it's going to be very difficult for a person in the middle to achieve an outcome. Now the person obviously could go in.

If you had in a situation the concurrence of the company for the facilitator to go in and examine the company's books, for example, you might come out of that at least with an objective view of the company's circumstances and you might consider then that that was a basis to try and get the parties together, and you are quite right.

That's one of the options for us. What we have found so far is that well, for example, in the Rosehart situation, it wasn't the behest of the union who were concerned about the loss of jobs, and with the concurrence, subsequent concurrence of the company, we had Dr. Rosehart go in there and he hired a firm of accountants and a consulting engineer and did a piece of work there which has the general agreement of the company, so that I think there is a time for that to be initiated.

In the case of the Dona Lake one, there was a situation there where we did not have the concurrence of both of the parties, and we said let's have everybody at the same table here and put Professor Grant in the middle, but again, you have to have a willingness on the part of all of the players eventually before that facilitator succeeds.

Mr. Wildman: One of the other major thrusts of the Rosehart Committee report was for long-term solutions with regard to the strengthening and expansion of educational and research institutions in northern Ontario, so that they would be able to do the research and development and, not only that, but also attract the professionals and the thinkers, and innovators into the area so that they would know the area and would also be able to develop new opportunities that would benefit the area rather than Toronto or London and Kingston, just to shoot a few communities out of a hat.

I know that there has been additional assistance to Laurentian and to Lakehead, but is there any proposal to actually move to implementing the suggestions for Northern Research Institute or the Mining Institute or the Forestry Institute or are you going to along the lines of just giving additional assistance to the existing schools at Lakehead and at a Laurentian?

Mr. Tough: I guess I would say a couple of things, Chairman. One, we are not finished yet. We had to make us a start, and I know that the member isn't implying this, but one of the things that we want to avoid is a kind of a beggar-thy-neighbour attitude in terms of the existing -- if we just stay in the mind in which I am most familiar with, what we wanted to do is develop linkages between the institutions who are involved in this, whether they are northern or whether they are southern.

For example, we have a concept of a centre of mining

excellence, but we don't mean by that a bricks and mortar thing. We have a centre in terms of a diagram that would show a linkage between Queen's, Waterloo, University of Toronto and Laurentian all working together and getting some decent niches there instead of them all scrambling for the same pie, and the perennial outcome of that kind of a situation is that Laurentian will lose.

What we are trying to do is reinforce Laurentian's capacity to attract, to make it fashionable for University of Toronto, Queen's and Waterloo to want to work with Laurentian, and putting the OGS for example, at Laurentian -- is moving.

The largest centre of geological excellence in Ontario, if not Canada, is the Ontario Geological Survey, and that is going to be at Laurentian and that's going to foster some linkages there, and we are quite excited about that.

Similarly, we have to make sure that not only Laurentian again on the mining field, but also Lakehead, some of the smaller institutes such as Hailybury, get a niche for those people there where there is not a scramble for a limited number of students, so I think we are trying to do some basic structural changes there that link up all of the universities and, in the process, strengthen the northern universities.

Similarly on forestry, I believe that a Mr. Kerrio would say that he has made a start there, to develop a capacity there. You saw the ad in the paper. They are advertising for the chairperson, and if that chairperson is as good as we hope he or she is, that person will attract some people.

What we are finding in R and D, and I think members are more aware of it than I am, it's very people, it's very people centre. If you get a crackerjack in that chair at Laurentian on rock mechanics, it means so much more than money. I think we would say, in not being critical at all, is that there has been a tendency when you look at some of the deficiencies in some of the northern institutions, that one of the things to do is throw some more money at it, and that has not been the case because it just means that they are back and we can all think of examples of that.

So what we are trying to do is use some money judiciously. For example, a million dollars to establish that chair at Laurentian. In one sense, that's a lot of money and in another sense it's not because it's got to fund the chair, but if we get the right person in there, then he will attract or she will attract the kind of people that you need to get there and foster the linkages.

I'm sorry to go on so long, but I really feel quite strongly about this institution.

Mr. Wildman: I don't want to prolong this, but there are a couple of questions I would like to ask, Mr. Chairman, which deal specifically with our mandate, but in regard to that particular matter, I would, and I think Mr. Pierce would agree with me, points you to the experience at Muonio in Sweden, and Uppsala.

While I understand what you're saying about trying to develop the linkages among the institutions, whether they be in southern Ontario or northern Ontario, in that case in Sweden, you had an ancient university, very well-established, which had a tremendous reputation in forestry, and the decision made, a political decision made to establish a forestry school, the forestry school in northern Sweden rather than have it in Uppsala in southern Sweden.

The decision was not to say okay, we are going to set up a competing institution or we are going to move the forestry school from Uppsala to Muonio. Instead, what they said is well, we are going to -- they didn't even say they are going to give the forestry faculty to the University of Muonio. What they said was we are going to set up a satellite faculty of Uppsala at Muonio, at the Muonio campus, but we are also going to put all of the major jobs and the chair and everything at Muonio, so if you still want to continue teaching at Uppsala's Faculty of Forestry, you are going to be at Muonio.

The whole purpose of that was to, as you say, get the staff, get the people there, because they are the ones that are doing the research, and not just in that faculty, but when you get to the development of a major university faculty, a leading university faculty in one area, then that then enables that institution to develop their other faculties and to attract -- we met people who were in small institutions in northern Sweden that could have been teaching at Berkeley in California, and I am not exaggerating, and it was simply because they had made a commitment and they were willing to take the risk, and it wasn't a risk. There was a tremendous uproar when suddenly professors who were well-established were told well, you are going to still be at the University of Uppsala but you are going to be in Muonio, and the --

The Chairman: Do you know what two political parties opposed that, Mr. Wildman, in Sweden? There were two political parties that opposed that action in Sweden, the Liberals and the Conservatives. I am not trying to be partisan.

Mr. Wildman: Anyway, I want to move from that to two

other areas that deal particularly with this mandate. You indicated that if in the seventies when the resource industries were cash rich, that some things might have been done with regard to productivity and changes in approach that might have helped to avoid some of the problems we are now facing in the structural changes in the economy. But when I look at the one area where we are in fact doing very well and where the companies are indeed cash rich, Hemlo, I don't see any difference in the way that those companies are operating at Hemlo now, or the way they are being encouraged to operate now, than any other mining company has ever operated in northern Ontario in terms of commitment to the community, in terms of ensuring there are linkages that can develop to the resource industry in terms of service sector and so on, in terms of government action to ensure that those companies are paying their fair share of the tax load.

Instead we get ad hoc grants from the government to try and help the municipalities that are having to provide the services to the work force.

I would like you to perhaps do some thinking out loud with us as to what your ministry is doing in the one area where there is expansion and where things are going well to ensure that we don't have the same future for Marathon and Manitouwadge and White River that we now have for Wawa, or to use another example, the gold sector in some of the areas that were in trouble a few years ago in Kirkland Lake and that area.

What is happening at Hemlo that is going to be different?

Mr. Tough: Well, I guess responding to your beginning point, I guess what we would say there is, and it's an airplane, is that you have three world class facilities there in terms of the technology that we have there. You have got three ore bodies that combined with the productivity levels that are there should make them particularly resilient to changes in the price.

Those mines I think collectively employ -- will employ about 1100 people or something like that, and I suppose it's fair to say that if they had been brought in in the old days, they certainly would have employed a lot more people, but their cost structure would have been out of line with reality. So I think you have some world class facilities there.

I have not been underground there but am looking forward to that, but looking at the surface plant, it really takes a back seat to nobody on that score.

The concerns that you are raising I think, in large measure, are financial. It goes to the heart of the

relationship between the various governments and the mining industry.

I guess if I were speaking for the mining industry right now, I guess I would say that Ontario has a mining tax. It will be a 20 per cent or so tax. It will tax the operating profits of the mines, and where mines fall within municipal boundaries, they also pay municipal taxes where if they don't, they don't, and so I guess --

Mr. Wildman: And they don't pay taxes on their underground facilities.

Mr. Tough: Yes, we are aware of that concern on some of the community's part, but I guess we would say then, is the issue between the municipalities and the provincial government and the federal Government or is the issue between the mines and the municipalities, and we are continuing to look at particular situations like the Hemlo situation.

The Hemlo situation came about partly because of what I think most members would agree was a sensible decision which was not to create a new community at the site of the mine. All right, so then you have a circumstance where everybody lives somewhere else. They live in Manitouwadge or they live in Schreiber, or live somewhere, or live in Marathon.

So in that circumstance, what is the best way to deal with the circumstance where those communities have taken on the responsibility or the burden that otherwise would have been the responsibility of the new municipality.

I am not saying we have it perfect at all yet, and there is still some work to be done and we are working with other ministries to try and sort out a regime that would satisfy those situations. It's not to take refuge as bureaucrats often do behind complexity, but it's not easy.

For example, at the Holt McDermid mine which is now coming on stream north of Kirkland Lake. Should it make a contribution to Kirkland Lake's municipal taxes? I think Kirkland Lake is so happy to have those 200 jobs, and they have the infrastructure there. As some of you know, Kirkland Lake's population is about half of what it used to be, so they have the infrastructure there now, and they will be able to accommodate those workers there, and they are very happy to have the jobs.

I guess what I am saying is that there is a range of circumstances there where it's not clear what you do for the municipalities. The municipalities, and I believe the Rosehart Committee, reading the words carefully, I think took a view that it was an issue that needed to be sorted

out between the province and the municipalities.

I don't dispute that, but I guess we would take a view again as a kind of a development advocate that we would want to be very careful in terms of putting an additional tax burden on mining companies whether they are highly profitable or whether they are not in these circumstances. We would want to be pretty careful before we did that.

Mr. Wildman: All right. You've dealt with one part of the question I raised. I just want to say that the flat tax is certainly going to help the Hemlo operators. They will be paying substantially less.

Mr. Tough: Than they would have under the old system?

Mr. Wildman: Yes, that's right, and there is one mine there where I think it costs \$100 an ounce to produce, and what's gold selling for today? Something like 340 or something in that area, so they are doing okay.

So the other part of my question that I raised a moment ago was what is being done by the companies or the government in conjunction with the companies to try and develop the linkage, the economic linkages so that there is some kind of diversification in those communities? In other words, is there anything being done in terms of developing a service sector, whether it's mine bolts or whatever you want, that things that are used in the underground operation so that their development of small businesses and employment that might even outlast the mine, whether it be mining equipment or parts that are used in the underground operation?

Mr. Tough: As Mr. Wildman is aware, some of that is going on with some migration to places like Marathon of the supply companies. Even some of the ones who have supply operations in other parts of northern Ontario are moving.

I guess we would agree that there is more that could be done in that area. We would like to be helping Marathon and Manitouwadge to do that and we think there is some promise there. We think the companies, the mining companies have a role to play, but we also think that there is a role for us in facilitating those changes.

We know that MITT has an interest as well to get some viable industries in those communities to diversify. So much the better. We will also be looking at programs like Nor Dev and so on to make sure that they are responsive to those situations.

For example, in the Nor Dev program, there had been a hesitation on helping service industries because we were always concerned about incrementality, and there may be

situations such as Manitouwadge or Marathon where it's demonstrably incremental and we could go ahead and provide some assistance there.

Mr. Wildman: Okay. The other two things which relate directly to the mandate of this Committee, in the Rosehart report there were a number of recommendations with regard to notice and layoffs and severance pay.

What has your ministry and/or the provincial government generally, what are you doing in terms of responses to those recommendations because that's directly related to what this committee has to do. We have to come up with some recommendations with regard to notice and layoffs.

Mr. Tough: We have participated with the Ministry of Labour in a review of the recommendations of the Rosehart Committee including that one. We have taken a view that it is for that ministry to address in particular the concerns that were raised in terms of the notice provisions in the layoff and so on, the severance pay and all of those things. We maintain a strong interest in it.

We have also taken the view in general that we have to find out a little earlier in advance. We have also taken a view I think which is in harmony with the Rosehart Committee that there has got to be more community awareness because I think that members would agree, it's not only the workers.

Mr. Wildman: That's right.

Mr. Tough: Not only the workers here, and what we have got, I think we have got some modest success stories to report in that regard where I think we have sensitized a number of companies to make the community much more aware of where things are going, and the companies traditionally have had a view that they have got to tell their employees and their shareholders before they tell the community.

We don't take serious issue with that, but I guess we think that there is some room generally to share in formation. We have seen in the case of Kimberly-Clark and Falconbridge and Inco, for example, some extremely positive results when they begin to share the information that they have and begin to persuade people that some of the things they just don't know.

So we are hoping that that becomes much more fashionable, and we will be pressing for that, partly for our own selfish reasons.

It's very difficult for our ministry, which often has the lead in distress situations, to go in and do anything that's really very helpful unless we get some notice.

Mr. Wildman: The Rosehart Committee actually recommended resource planning agreements involving the provincial and municipal authorities along with the company and the unions, and also subsequent to a major shutdown or layoff, community adjustment plans that would involve company contributions, I suppose along the lines to what Stelco did, and what you seem to say is you are talking about it on an informal basis encouraging the companies to share information.

You are not at the point yet of where the government might be considering actually a formal system of resource planning agreement.

Mr. Tough: Well, I think that ultimately a number of ministers will have to decide whether they want to formalize it.

What we are trying to do, I guess, frankly, in the meantime, is to find out what we can do and what the payoff is from the situations that we have become involved in, and what we are trying to do also, as we hope we gain some credibility with the mineral industry as their ministry, to make them aware that there has to be some symmetry in terms of information sharing and in terms of response by the communities, and we have been working fairly hard in a number of areas to make the industry more sensitive to the needs, whether it's the natives on the reserves that wonder why the planes are flying overhead or whether it's a community that's wondering what's going to happen.

Mr. Wildman: You are not talking about US Air Force planes?

Mr. Tough: As far as I know.

The Chairman: Thank you, Mr. Wildman.

I thank you for your patience, Mr. Pierce. You are next.

Mr. Pierce: Thank you, Mr. Chairman.

Mr. Deputy, let me pursue also the line of question that was advanced by Mr. Wildman and that is in respect to Hemlo and how it affects the communities that are really dormitory communities for housing the miners. And I think everybody recognizes this but in municipal politics that the relationship between industrial tax base and residential tax base has to be equally spread out in order to maintain the proper services within a community, and if the community, as an example, the community of Marathon, were not fortunate enough to have a paper company within their boundaries paying fairly substantial taxes, municipal taxes, Marathon

could be in very serious financial difficulty.

And in fact the paper company finds themselves picking up a large portion of the taxes that are part of servicing the community to satisfy the people working at the mine or the presence of the people working at the mine, and I believe, certainly in the time that I spent within the municipality of Atikokan, that the provincial government has some responsibility in making sure that if the industry is outside the boundaries of the community, then a greater share of the taxes collected, if I can use that word, from the company, have to be transferred to the municipality.

I think it's not only unfortunate, but very unfair to James River, for example, in Marathon that they are picking up a greater portion of the taxes than they would normally have picked up had the community serviced only the people working at the pulp and paper mill, and maybe you could give me some kind of an idea of what's happening within the Ministry of Northern Development and Mines and the Treasury, because it certainly involves the Treasury. The Ministry of Northern Development and Mines of course can enter into discussions with the Treasurer, but if the Treasury elects not to provide additional funding, then it doesn't happen unless there is a way that it can be funnelled through the Ministry of Northern Development and Mines.

The Chairman: How are you relating this now to the question of plant shutdowns?

Mr. Pierce: Well, it works both in plant closure and plant opening, because what's going to happen, Mr. Chairman, let me take you one step further if you think that the line of questioning is out of content with what we are here to discuss.

If and when Hemlo shuts down, what happens to James River and Marathon in maintaining services when the miners move out of Marathon, and as we have all admitted that the mine closes the day that it opens or starts this closing process, so what happens then to the industry that's left within the community?

Does that help you, Mr. Chairman?

The Chairman: Give it a go, Mr. Tough.

Mr. Tough: Well, that is in Mr. Pierce's right, Mr. Chairman. It's kind of a generic issue, and it happens in Ear Falls as well, whether there is a James River in Ear Falls or whether it's the corner grocery store.

Mr. Pierce: That's right.

Mr. Tough: There is a municipal tax burden and an

educational tax burden that falls upon all of those various businesses in the community, and it is something we recognize needs to be addressed. As the member is aware, there have been a number of circumstances over the past perhaps decade where a series of fix-ups have been adopted in a number of communities, some of which the member is very aware of.

It is something that needs to be addressed at the front end when the community has a burden. As the Committee probably knows, we have funds that we help out at the front end in terms of community infrastructure and a number of other adjustments are made.

What we are hearing from a number of communities is that they are inadequate. We are hearing from James River that they feel that they are unfairly burdened. We think we have responded to them for this year, and it's a question now of us and Municipal Affairs and Treasury coming forward with some options for ministers to look at to see whether there is a sensible way to deal both with that front end situation and the back end situation, whether the mine is within the municipal boundaries or whether it isn't.

I mean, we agree it's an issue and we are looking at it with great care.

Mr. Pierce: Let me move into the issue of training, and you mentioned in your remarks in respect to Winston Lake where there was some possibility of training people in the Terrace Bay area to employees in the Winston Lake mining, and at the same time, we recognize that Matabi at Ignace is shutting down or will be shutting their operation down in stages and in stages to coincide with the start-up of Winston Lake.

Now we appear to be narrowing ourselves to the point where Winston Lake could pick up some of the slack of Terrace Bay. What do we do with the already trained miners from Matabi that are anticipating moving to Winston Lake? We are getting so close. We seem to be drawing the fences right around ourselves.

It was mentioned earlier today that there are other methods that we could cut back on the flow of iron ore pellets into Algoma Steel. Can Algoma Steel absorb all of their own steel without selling it outside of their own plant, and what do we do if we train people from paper mills to work in mines? What do we do with the miners that were trained in anticipation of going into additional mines?

We know that miners are a moving force. They move all over the country. They move from one coast to the other coast. They move from north and south in any direction to wherever the next mine goes up, and not to take away from the fact that the people in Terrace Bay are entitled to some

employment in the existing industry within their own regional boundaries, but what do we do with people come out of Matabi?

Mr. Tough: Well, that's a good point and it's a generic point as well, and one of the things that we have been trying to do is encourage more of a kind of a labour market exchange within the industry. And, for example, in the Wawa situation, when the Hemlo mines found out that the Algoma ore division had decided to let some people go, they put the posters up. There was an information poster there. So there is an informal network that goes on there.

What we are trying to do basically is create as many destinations for miners in Ontario as there are people who have to leave, and recognizing at the same time that people have a very sincere and serious attachment to the place where they live, and I think one of our duties is to provide destinations.

Now if we look back at the Hemlo situation - and I think the member is aware of this - we are certainly not putting walls up around Ontario or northern Ontario, but the fact seems to be that there is a very large proportion of the people working in those mines who came from outside northern Ontario and outside the province, and this occurred at the same time that we were having some significant shrinkage in northern Ontario's mining industry.

One of the things that we want to do is see why that happened and whether there is something that we can do in a positive way to make sure that those opportunities are identified for people who are being let go from other operations, so as the member says, there is a lot of flow, a lot of moving around within the mining industry, and our challenge is to create enough destinations.

We hope that to the extent we are successful, we don't have a zero-some-gain here where you trade-off the man who was let go from Ignace and the man who is let go from Kimberly-Clark.

Now in the particular case of Kimberly-Clark, it's very unlikely that someone would be taken from Kimberly-Clark for a mining job, for actually mining. I mean, that's just not very sensible, so what you're probably talking about is a relatively modest number of people who could shift from a surface operation in the control room and so on and move into the other mine, so that there is not going to be the massive competition between Kimberly-Clark workers and miners.

But we are aware that we have to keep ahead and get some more mines developed in that area so that people can have some opportunities.

Mr. Pierce: Well, you indicated that the ministry of course is pursuing through technology, through exploration and research, the potential of opening new mines, and I know that there is a fair amount of activity going on within different regions of northern Ontario, certainly in the Kirkland Lake area with respect to gold mining and also in the Thunder Bay area as it respects to platinum and the Critical Falls area with respects to platinum and other precious minerals and metals.

Also, there is a fair amount of development work progressing, and you mentioned it in your remarks and that's in the St. Joe area, Lake St. Joe area, and the question of course that's put to me by the people in Matabi is whether there will be consideration or assistance provided for people living in Matabi or living at Ignace to operate out of a fly-in camp if a mine is developed at Lake St. Joe or if the ministry would allow development at a Pickel Lake.

Now On the other hand, of course, the people at Pickel Lake are saying well, finally we are going to get a town set up here and people can operate as a fly-in out of Pickel Lake into Lake St. Joe, so when we talk about plant opening, we have to talk about plant closure too and what happens after development and final exhaustion of those operations.

Mr. Tough: You are quite right. There are some empty houses in Pickel Lake. They would like to have those filled with people --

Mr. Pierce: There are people that would very much like to sell them. If you can find an interested buyer, there is a number down in Oshawa if you're not interested in Pickel Lake.

Mr. Tough: Well, I guess from the standpoint of our ministry, Chairman, if we can get enough projects up there, if we can continue to -- it's very intensive exploration activity through northern Ontario. We should be just about at record levels in terms of exploration expenditures there.

We are in very stiff competition from Quebec and a number of places, and we have got to have flow-through shares continue for a while yet, and it would be nice to have the price of gold and other precious metals stay up where they are, but I guess we think that if we can succeed in the level of exploration and the success levels we have got so far, there ought to be a possibility to maintain enough destinations for people who are let go from Ignace and so on so that we don't have to make those horrendous trade-offs in terms of who gets it.

I should also mention in the case of the St. Joe deposit and the others, we will be working pretty hard to

make sure that there is native participation in both of those projects as well, and I think that would be not something that anybody would take issue with, and that doesn't have to be at the expense of the people in the other areas.

Mr. Pierce: There was the subject of the Northern Development Fund, and I wonder if somehow within the ministry you could cross reference that to the amount of SBDC's that have been developed in northern Ontario and the amount of use that the SBDC's have had because, as you indicated, there are a number of jurisdictions that have developed northern development funds or provincial funds to assist in the development, and the experience hasn't been all that good in some cases. In some cases it has been extremely good, but I know it may be worthwhile in doing a chart on the amount of SBDC's that are available and the experience ratings and to what use they are being used.

In the Rosehart report, there was a recommendation of course to assist communities that were facing plant closures, that if we could develop a manufacturing industry, secondary manufacturing industries, and that those industries would be exempt from Ontario sales tax.

I realize again that these are financial matters that have to be dealt with by the Treasury, but I would question whether there has been any discussion between the Minister of Northern Development and Mines in respect to those types of recommendations.

Mr. Tough: Well, there has been, Mr. Chairman. There has been considerable discussion, very serious discussion between Treasury and a number of other ministries on all of the recommendations, and I can assure you that we have not finished our review of those, and as they come forward, they will be dealt with pretty intensively.

I think in the case of that one, if I could just comment for a second, I think that generally there is a lot of support for the conclusion that led to that recommendation which is that we ought to look at ways to make northern Ontario manufacturing more competitive. I think the Rosehart Committee focused on the smaller manufacturing, and that's a good point, but I think across the board, there ought to be ways examined to do that.

Now the only hesitation I guess I would have, and it's partly because of my experience in the Department of Finance in Ottawa, is whether that particular mechanism is the one that you would adopt, and so it's in that context that I can assure you that that measure and substitutes for that measure, if you like, or alternatives to that measure, are being looked at.

The problem I have with that particular measure is that you get a lot of leakage. That kind of measure has been tried in a number of other jurisdictions, and I am not saying it didn't succeed at all, but it tends to be relatively inefficient. You get a lot of things which somehow get a northern Ontario stamp on them or a Cape Breton stamp on them and you really have to decide whether that's an efficient way to do it, but I can assure you that that has not by any means been abandoned nor have the alternatives.

Mr. Pierce: Well, maybe just a comment. It would be worthwhile looking at - and I'll have to scratch my head - I believe it was during Frank Miller's tenure of treasurer when the appliance industry was exempt from Ontario sales tax for a number of years to boost the sales of appliances in the province of Ontario and to assist the appliance industry at that time when --

Mr. Wildman: Frank used to do that with cars too.

Mr. Pierce: Well, I am thinking more of the appliance industry as a whole. There have been a number of things done for the auto workers in the auto manufacturing, but in the appliance industry, they were exempt from Ontario sales tax right across the province, and there may be a lesson to be learnt there, and it certainly brought that industry back and it prospered in many cases.

Also, I can see the Chairman wants to go and have his usual bowl of soup and glass of milk, but, Mr. Chairman, what's our schedule? Soup and milk?

The Chairman: Our schedule is to meet with the Ministry of Industry, Trade and Technology, the people who have all the programs this afternoon.

Mr. Gillies: I thought it was Skills Development.

The Chairman: They'll tell us that.

Mr. Pierce: Well, maybe with that I'll give up the floor and pass it on to somebody else.

The Chairman: Mr. McGuigan had a question or comment.

Mr. McGuigan: You mentioned earlier and you touched on it again about the gold mining industry. I wonder if you could just spend a few minutes in telling us, for a southerner like me, what's going on in the gold mine industry?

Mr. Pierce: Tell us what happened to the sale of gold coins to put the tax back on?

Mr. Gillies: Were they down 70 per cent?

Mr. Pierce: 70 per cent, 75 per cent down.

Mr. Tough: Mr. Chairman, I am speaking for the mines and minerals side of the government at this point. I guess the bottom line is that that is the driving force in the mineral industry at the present time in terms of the search for new deposits.

As we look at, for example, the surveys that we do of companies and what they are looking for and so on, it's pretty well motivated by the precious metals, and that looks as if it will -- we hope it will continue for some time.

The operating gold mines in general are doing quite well. We have had deepening of the shaft at McCasa, which is one of the oldest mines in Ontario, and Kirkland Lake we've got a couple of new projects coming on. We have been relatively successful in turning up gold deposits, and I guess it's our conviction there's lots more.

And to say that because in distinction to a number of the other minerals that we have in some abundance, gold has been traditionally a little harder to find where you have overburden, where the rock is covered with dirt, and if you look at the Porcupine camp, for example, you see a remarkable coincidence between outcrops and mines, and that tells us that there is a good potential if we can do a lot more aerial magnetic work and other scientific work to identify some of the structures better, that there is a good prospect to discover some new mines.

And what's particularly gratifying about that hope I think is that a lot of that is in the old camps so that you are into areas around Kirkland Lake and Timmins, for instance.

I think you have in our document a list of projects which are likely to come on stream in the Timmins area. In fact, we have gained ground in Timmins in terms of mining employment over the past year, and that's very gratifying. I think it's useful to recall that.

In the case of Kirkland Lake, we have got intensive activity going along that new road and around the area, and across the belts there, and I guess we have a conviction that there is quite a bit more to be found, and I think our commodities experts, and I am not one of them at the moment, would tell you that there is reason to expect that there is no serious surprises in terms of the price of those precious metals before a level of exploration, activity and production.

The Chairman: Okay, Mr. McGuigan.

Mr. McGuigan: You touched on conversations of new mines establishing fly-in situations for the labour rather than establishing a new town.

Is that the direction that we are heading? Is that a sensible thing to do?

Mr. Tough: It's been done in a number of cases. In Saskatchewan, for example, and farther north, and it may be that there are circumstances where for environmental reasons or for social reasons or for other reasons you have got a deposit which is relatively small or relatively short-lived, if you want to engage in that. It's a model. It's one of the possibilities.

I don't think we would have a view at this point as to whether that would be an imposed arrangement or whatever. It would depend on the circumstances.

Mr. McGuigan: It's not a general recommendation then?

Mr. Tough: No, I guess as the Northern Development Ministry, I guess we would have a great deal of satisfaction if we could continue to discover mines in the area of existing communities, and then you maintain a level of activity in those communities and a level of confidence. That would be our first preference.

God didn't put them all there. That's the problem. So where you have deposits that are farther away, then you either have to think about linkage of some form or another. You have to have some kind of transportation.

Excuse me, Chairman. Are you looking at me because I'm talking too long?

The Chairman: I wouldn't be so blunt.

Mr. Pierce wanted a final supplementary.

Mr. Pierce: Supplementary on that. From experience, I can tell you through the Chairman and Mr. McGuigan, that fly-in mining is in fact an acceptable level of employment for miners in communities, and I can tell you of miners that are operating out of Atikokan as an example that are going up to Kluff Lake, Saskatchewan, and retain their home at Atikokan and at the same time they go up there and work ten days in or they work 28 days in and be out for 28 days.

It depends on the climate of the industry, it depends on the acceptance of the schedule by the employers and the employees. And the companies, from what I can understand, are quite acceptable to having miners flown in from all over Canada.

They don't just come from 50 miles away or 100 miles away and go back home on the weekend. They come and they will spend ten days and be out for ten days or come and spend 28 days and be out for 28 days, so that it doesn't require the establishment of a new community and it doesn't take the miner out of the community that he was originally living in.

Mr. McGuigan: And it does avoid the business about: where you are born you are also going to die.

Mr. Pierce: That's right.

The Chairman: Okay, thank you, Mr. Pierce.

Mr. Tough, thank for your presentation. I wish that every member of the Assembly could have seen those stark figures that you presented to us in your slides. I think those were most useful for us.

May I also extend the invitation to any of your people in the field who wish to sit in on our hearings up in Thunder Bay or Sudbury. They would be more than welcome.

Mr. Tough: Thank you. We'll do that.

The Chairman: Thank you very much for your attendance today.

I adjourn until two.

The Committee recessed at 12:13 p.m.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

PLANT SHUTDOWNS

WEDNESDAY, FEBRUARY 18, 1987

Afternoon Sitting



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

Bernier, L. (Kenora PC)

Gordon, J. K. (Sudbury PC)

Mackenzie, R. W. (Hamilton East NDP)

McGuigan, J. F. (Kent-Elgin L)

McKessock, R. (Grey L)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Wildman, B. (Algoma NDP)

Substitutions:

Gillies, P. A. (Brantford PC) for Mr. Stevenson

Hennessy, M. (Fort William PC) for Mr. Bernier

Poirier, J. (Prescott-Russell L) for Ms. E. J. Smith

Clerk: Decker, T.

Staff:

Nigro, A., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Industry, Trade and Technology:

Lavelle, P. J., Deputy Minister

Girvin, D., Assistant Deputy Minister, Industry

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, February 18, 1987

The committee met at 2:09 p.m. in room 228

The Chairman: The Resources Committee will come to order. This afternoon we have before us the Ministry of Industry, Trade and Technology, and I recognize Mr. Mackenzie first.

Mr. Mackenzie: Mr. Chairman, just before we start the proceedings, I am wondering if I can take just about a minute and a half to report on a press conference that I just came from with a number of workers from the Rolland Incorporated Coated Papers, in Scarborough, where the 180 workers were asked to come in early this morning - stay over, those that were on the night shift - were called together, read a statement. Management refused to answer any questions telling the 180 workers that their jobs were finished as of eight weeks from now.

The background to it, I think, is particularly vital. This particular company got several million dollars in provincial and federal grants to modernize their Quebec plant in '85. At the time the union, the Canadian Paperworker's Union, and Don Holder, vice-president, specifically asked the company if there was any threat to the employees here.

We were told no, not to worry. Should it be discussed? No. If the workers had any fear that they might be facing a loss of their jobs, they might not keep up the production when work is hired.

Today, when they got back following the meeting, when the management people totally refused to answer any questions from the workers - and you can obviously expect the plant was in a bit of a state of shock this morning - they asked a battery company and asked a number of questions: Why didn't you let us know? Why didn't somebody else know? Nobody has been informed, government or the union involved or the local workers, and they were told, "Well, we have been making a real effort over the last year or so to sell this operation."

The operation had seen increases in the last two contracts. The workers think that it is a viable operation, and certainly they wouldn't have gotten new contracts with increases if there was a question. Certainly in the paper industry, that's an obvious today.

The company told them of at least two companies they

have tried, and one other one they wouldn't identify to make the sale to.

The point I am raising that with this committee for is to clearly underline the fact that with this out in public and some other people working on it, it might very well have been a viable operation, but absolutely none of this information was given to the employees, to the government at all. And I find this a final comment particularly annoying, although it's not a new, one sentence in the letter that finally was given to the workers following the meeting:

"We will continue to need the talent and support of each and every one of you to keep our production schedules and maintain product quality over the next few weeks. It is in everyone's interest to complete the current backlog of work as early as possible so that you can take full advantage of your severance and begin your search for new employment."

If I didn't hear an implied threat, you know, that some of the key personnel might leave early and then run into problems in terms of their severance, that's the minimum required under law than that, I don't know what the hell it is. And this is the kind of corporate buccaneering that I think we have simply got to come to grips with in this committee.

The workers have sent a wire to the Premier asking that he meet with them and meet with them immediately. They feel there is an obligation given the circumstances of this particular closure to have it out in this case. Quite frankly, I don't expect we'll get much more action than we have had in some of the past ones, but I think there are a couple of angles given.

The fact that the company obviously knew for two years they were going to do this closing, obviously had made some effort themselves which indicated there might be some viability. At least a couple of other purchasers at the time were interested in it, and to me it's a total and complete sellout of the 180 workers at Rolland that happened this morning shortly after eight o'clock.

The Chairman: Mr. Mackenzie, I wonder if you could table with the committee a copy at least of that letter so that we can have it duplicated and distributed to the committee. I'm glad you raised it and anything else you have.

Mr. Hennessy.

Mr. Hennessy: It does come as a shock, and I have to agree with Mr. Mackenzie that they got grants from the government. I think this committee should ask how much

money they did get. What did they do with the money if they tried to upgrade the plant.

The Chairman: It was modernizing the--

Mr. Mackenzie: --the Quebec plant that the grants came for. Now that that union asked questions two years ago, did it mean the future of this plant was at stake and they were told no.

Mr. Hennessy: Well, are they within the province of Ontario?

Mr. Gillies: No, part of the operation.

Mr. Mackenzie: They own plants in Quebec as well.

Mr. Hennessy: I don't think that Ontario money should go to the province of Quebec.

Mr. Mackenzie: I think the other interesting sideline, Mr. Chairman, just to finalize it is that their profits last year were 7.2 million. Now that's the total operation. That's a 30 per cent increase from the year previous. They are now saying in their statement to workers that we are losing money in this particular plant, but they refuse and have refused in every set of negotiations, and that's why I made the point there were wage increases in the last two sets in that plant. They refused to break it down between the component parts of their operation.

But here is a company that made 7.2 million last year, a 30 per cent increase from the year before, are now saying, and the union quite frankly doesn't believe them, but whether it's true or not is really part of the fact because they won't break out the separate operations.

Mr. Hennessy: Have you asked them to appear before this committee?

The Chairman: I think the committee agreed earlier on that we couldn't look at individual plant shutdowns and layoffs because of the impossibility, Mr. Hennessy, of dealing with that in a three-week period and that what we would do instead is to use examples like that, if you will, to draft proposals that would affect the communities, the workers, in a more favourable way and at the same time in a realistic way that the private sector could live with. So I think I would try and convince members that we can't get into an analysis of individual shutdowns or layoffs because we could spend a month in Sudbury alone looking at Falconbridge or we could go to Terrace Bay. There is no end to what we could be doing if we did that.

Mr. Hennessy: Is there any problem of us meeting with the workers to discuss the situation?

Mr. Mackenzie: If we decided at some stage that we want to, there would be no problem at all. My first interest is the response to the wire from the workers and our union of the Premier, which should come very shortly.

Mr. Hennessy: This committee should get some knowledge of it. We are discussing about this item happening in other areas, so why not get a first-hand view of what the workers have to say. I would be in favour of meeting them.

The Chairman: Okay.

Mr. Gillies.

Mr. Gillies: I just wonder if it is gratuitous perhaps that we have the Deputy Minister of Industry here and some of his officials, and upon receipt of such a telegram I'm pretty sure that the Premier's office would check with the Industry Ministry to see what was going on, and I wonder, perhaps, if we could ask you, Mr. Deputy, to follow-up and perhaps even by way of a memo let the committee know what the outcome of that request is that Mr. Mackenzie has alerted us to.

The Chairman: Any other comments before we hear from Mr. Lavelle, who is the Deputy Minister of Industry, Trade and Technology, and has with him Mr. Gervin, if that is the correct pronunciation. Mr. Lavelle has to leave about three, but Mr. Gervin will be staying.

Mr. Lavelle, the floor is yours.

Mr. Lavelle: Thank you very much, Mr. Chairman. I should point out as well that I have Jim Wesinger from our investment branch and John Blanchard here who is in charge of our domestic offices as well.

I appreciate the opportunity of appearing on behalf of the Ministry of Industry, Trade and Technology before the committee and to have the opportunity to explain in some detail how we see the present situation and some of the things that the Ministry is doing with respect to overcoming some of the difficulties that have resulted from high changes in technology which are taking place within the industry.

I should also say, Mr. Chairman, that we do have a statement which we are prepared to circulate to the committee as soon as it gets here, and we also have a fairly large number of charts and drafts which will be background. Hopefully they will arrive in the course of

our presentation.

The Chairman: That should be helpful, Mr. Lavelle. I should tell you before you start that the other two ministries that were here, the Northern Development and Mines and Labour both indicated that really the policy-making ministry and the one with all the power and responsibility was yours.

Mr. Lavelle: There is obviously some advantages to appearing first.

Mr. Gillies: I would like to say, evidently, that Skills Development hasn't been here yet.

Mr. Lavelle: So we would be able to encourage you to take advantage.

Recent high-profile plant closures have brought into very sharp focus the impact of global trends on the economy of Ontario. For years, Ontario has enjoyed a buoyant economy that, to a large extent, helped mask the effect of increased internationalization of markets and manufacturing on our economy. The exception was in 1982 when the Canadian and global economies suffered severely from energy prices and from inflation.

Today, however, there are a number of new factors increasing the speed of structural economic change which cannot be ignored. Included among them, of course, are rapid and far-reaching developments in technology, the growth and importance and influence of the service sector where a great many jobs are being created and unstable commodity prices, which I am sure was the subject of a great deal of discussion when the Ministry of Northern Affairs was before the committee.

Changing patterns of international competitiveness, especially in the manufacture of consumer goods by nations of the Pacific rim and the possibility of bilateral or multi-lateral trade liberalization along with the effects of contingency protection and countervail actions by the United States, which was the case of course in the softwood lumber case.

Even singly, these are powerful levers for economic change. Taken together, they are reshaping the way in which the world economy will evolve into the next century.

While some of the economic impacts of the '70s and early '80s have receded in importance, such influences as changing technology and changing patterns in world trade are likely to have persistent significant effects on the economies of Canada and Ontario.

It is clear that whether there is a Canada-US trade agreement or not, we face a fundamental need to modernize, to become more competitive in terms of productivity and the quality that we produce. We face a fundamental need for improved cooperation and planning between government industry, labour and educators in Ontario if we are to meet the challenges of international markets and international competitiveness.

We need in particular effective strategies to assist established industries to adjust and to help new industries realize their full potential.

Before outlining for the committee the approaches that the Ministry of Industry, Trade and Technology is taking to work with industry, to anticipate and participate in these changes, I would like to establish an historic context regarding the global changes affecting plant closures and employee layoffs.

For the years 1981 to '86 with the exception of 1982, there has been a decline every year in the number of establishments involved in layoffs in Ontario. The current figure for 1986 is a total of 93 reported cutbacks involving 50 or more employees. This represents 19 per cent fewer establishment layoffs and cutbacks than occurred in 1985 and of course is significantly down from the high point in 1982 when some 240 establishments reported cutbacks.

There has also been a steady parallel decline in the number of employees affected by layoffs of all types. In 1986, 13,500 employees were affected by layoffs of all kinds. In the recession year of 1982, the comparable figure was 46,000. This is greater than the combined totals for 1983, '84 and '85 when the economy was pulling away from the low point of the recession.

There is cause to reflect that while the trend in layoffs and closures has shown steady, if not spectacular improvement, public concern over layoffs and closures has by contrast increased significantly.

There are five key points that emerge from the examination of the data regarding layoffs and closures that may help to shed some light on this contradiction. They are:

One, layoffs and closures have been concentrated in the resource sectors, primarily as a result of declining commodity prices worldwide.

Two, the number of closures and layoffs have been declining as a result of a resurgence in the global economy, and this particularly includes the economy of

Ontario.

Three, closures are increasingly a result of structural change within certain industries.

Four, in some areas, closures are a reflection of a decline in domestic demand.

Five, closures also reflect an erosion of competitiveness in some industries such as the electronic sector.

With that as background, I would like to set out for the committee the chronology of events surrounding the famous announcement on November the 23rd by Goodyear of their intention to close their tire plant in Etobicoke.

It serves to illustrate how little can be done when lead times are short, yet has had the salutary effect of demonstrating how we can help our mature industries move towards more modernization.

I hope the committee will bear with me as I go through some of the details of this particular case because it does illustrate what did occur in the significant industry and where we might be going.

On Monday, November the 26th, following announcement of the Honourable Hugh O'Neil, members of the ministry staff and I met with Goodyear's Canadian management to discuss their justifications for closure. We also asked them to consider an extension for closing the facility until the end of this current year.

The following day we met with Goodyear's US management and again outlined our concerns regarding the closure and to seek an extension of the plant closing date beyond the 31st. The US management group indicated to us that it was not prepared to substantially delay the closing of its facility.

On December 1, my staff met with the union to discuss alternatives to closing the plant such as a buy-out by the union. Talks with the municipality of Etobicoke were held on December the 5th concerning the future land use for the Goodyear facility.

It was at this point that we decided as a ministry to take a broader look at the issue, and we subsequently held meetings with the Rubber Association and all of their senior members to discuss modernizing and adjustment strategies for the rubber producing sector of the province.

At this meeting, which occurred on December the

11th, we obtained the cooperation and support of the association for two initiatives that are currently underway. The first was to undertake a survey of alternative employment opportunities in the tire and general rubber goods sectors for possible placement of Goodyear employees.

The second was to help the Ministry in undertaking a major study on the tire industry. This study will help us, firstly, to determine the viability of Ontario's tire industry; and, secondly, to develop a provincial approach to creating a modern tire-making capability in the province.

Following these discussions, we launched into a series of meetings with all the executives of the tire industry with the intention of exploring projects for the tire industry in the province.

In late December, we met with executives of Michelin to discuss the potential for establishing a new plant here in Ontario. In early January, we held talks with executives of Bridgestone. Throughout January, we held numerous discussions with the other major tire producing companies, Uniroyal, Goodrich, Firestone and General Tire.

On January 26th, we met again with the federal counterparts with Goodyear. Two weeks ago on February 9th, we had meetings with Yokohama Tire Company and discussed their North America expansion plans, and on Monday, we had meetings with the Pirelli regarding potential plans for North America.

We are, in the ministry, working towards a completion of a tire study including a confidential company-by-company assessment of potential opportunities to be pursued in this province. It is our intention to use this study to form the basis for an Ontario response to this sector, and we hopefully expect that out of our discussion and out of the proposals that we will put forward, that we will be able ultimately to replace the jobs or improve on the jobs that have been lost in the closure of the Goodyear plant.

The company's specific information and the conclusions reached in the study will be discussed in confidence with each company before the final recommendations are made. Throughout this chain of events, it became clear that patchwork solutions will not save this or any other industry in the province.

It was clear that Goodyear's long-term presence in Ontario would have required investment in a new facility. However, the traditional bail-out would not have secured a long-term future. This is a significant and growing shift

in North America's manufacturing sector. It is a shift that is rapidly moving away from the invest to the expand role of the early part of this century towards the invest to modernize and diversify role that will prevail into the next century.

The competition increasingly is to keep what you have. In many cases, there are no new markets. The market has matured and the challenge is to restructure, modernize and diversify. These saturated markets are forcing our established industries to rethink their strategies and for us, as government, to rethink how we can help facilitate that change.

What has also occurred is a recognition that in the past the established industries in this province have been overlooked to a large extent by government. The mandate of the Ministry of Industry, Trade and Technology in the past has dealt to a large extent with the support for the programs aimed at encouraging growth in small and medium-sized companies.

In this area, we have an enviable record of achievement unsurpassed by many other Canadian jurisdictions. However, Ontario has also recently benefitted from a boom in major industrial investments.

When one takes into account the investments which are directly related to the investment branch of the Ministry, the figures which I have here since October '85 to last month, committed investments in operations in Ontario reached 105 million. Investments that had been conditionally committed in Ontario between January '86 and January '87 reached 855 million. Those figures represent figures which are --

Mr. Mackenzie: Can you tell us in those figures how much of that is the new Japanese automobile plants that are scheduled?

Mr. Lavelle: I would have to check with Mr. Gervin on whether the automotive investments are included in those figures or not.

Mr. Mackenzie: That's the question I have and if so, how much?

Mr. Gervin: In terms of the figure of 855 million, 500 million approximately would be committed relative to GM-Suzuki in terms of items that are committed but not operating. I believe the figure of 105.3 million is dealing with a multitude of investments, and the average client that either site location or the investment branch is involved in has an investment capital of a million and a half as far as the individual project.

This does not include the Ontario Development Corporation or other agencies of the Ministry of Industry, Trade and Technology.

Mr. Lavelle: I should also point out, Mr. Mackenzie, that those figures do not represent -- we do not have the up-to-date Statistics Canada figures on investments, so those figures are the figures that we have available to us at the moment.

The jobs that have been anchored by committed investments and operations are estimated to be about 1500, while jobs that will be anchored by conditionally committed investments are estimated to reach 5,295. Overall, job creation statistics show that from January 1984 to December 1986, there was a net increase of 390,000 to the work force in Ontario.

What we are seeing is, in effect, two sides of the coin. On the one side are the layoffs and closures among such established industries as metal fabricating while on the other side we have world competitive and rapidly growing plastics industry. There is also the major driving force of small business creation and explosion of new jobs.

Small business continues to be the most dynamic source of job creation with 82 per cent of all net new jobs in Ontario coming from that sector. In the past year, 99,000 new companies were formed in province, and indications are that that annual rate is constantly rising.

As well, the participation of women and young people as small business owners is increasing in significance. Nearly a quarter of Ontario businesses are now owned by women while young people under the age of 30 account for over 40 per cent of business starts.

There has also been marked growth in another area of indigenous industry, the auto parts sector. In 1981, the value of shipments in that industry was roughly 4.9 billion. Of that total, major car and truck manufacturers themselves accounted for almost 40 per cent of the value of the shipment.

Foreign-owned independent producers also accounted for approximately 45 per cent of the value of the shipments, while Canadian independent manufacturers accounted for roughly 10 per cent.

However, most recent statistics indicate that there has been approximately 110 per cent increase in the value of shipments. Of that increase, in-house production and production by foreign-owned independents increased

slightly less than the industry average.

Canadian independents meanwhile have shown an increase in the value of shipments by 155 per cent. At the same time, Canadian independents have increased their market share from 10 to 15, which is a significant increase.

I should point out, and it is not in the text of my knowledge, that in that period of time there was a program that the Ministry of Industry, Trade and Technology had in place called the Automotive Parts Investment Fund which had a significant impact on the investment decisions that were made by a number of those companies.

The vigor in the industry can be attributed to continuing market growth, to major expansions by a number of automotive corporations and two acquisitions by Canadians who have previously held foreign-owned production facilities.

In the past 20 months, the Ministry has faced the job of reexamining and restructuring policies and programs that have been in place for some time. In this regard, we are undertaking a number of initiatives to meet the challenges of restructuring in a global marketplace.

We are avoiding the confrontation in the past and are inviting government, labour, management and the academic community to work together as a team. To achieve this aim, we spent much of last year meeting with major industrial and trade groups representing all areas of the Ontario economy.

At the beginning of this month, Mr. O'Neil announced the formation of a new industrial advisory committee on competitiveness chaired by John Belanger, president of the Canadian Chemical Producer's Association.

The committee is made up of senior executives from 21 industrial firms and sector associations. It's goal is to assist us in devising strategies to modernize and strengthen the province's existing industrial base, and while we have been undertaking a series of consultations in the private sector with respect to modernization, we have also taken a very extensive series of meetings and consultations with the business community and labour on the impact of free trade, should it be rendered by the current discussions between Canada and the United States.

So we have substantially increased the amount of time that we are spending talking to the business and labour communities.

Our aim of course as a ministry is to be pro-active participants in these partnerships. We must look at our mature industries as a whole and help identify their needs and opportunities. We must avoid the enormously expensive bailout syndrome of the past.

What we are in effect doing is shifting current thinking from dealing with the effects of plant closures to devising adjustment strategies aimed at preventing layoffs and closures in the first place.

While it is true that cyclical changes in market demand have traditionally resulted in layoffs, there is growing evidence to indicate that the causes in most recent layoffs are structural in nature.

As I mentioned just a moment ago, the movement from investing in capacity to investing in modernization is forcing North American companies to focus much more seriously on the productivity performance of its various plants.

They must make the tough choices of which plants to expand and which are candidates for closure. We have seen this, of course, very dramatically in the announcements which have been made in the last few months by the General Motors Corporation in the United States.

It's clear that the investments that had been made by General Motors in Canadian facilities and the value of the Canadian dollar and the productivity factor indicated that it was more propitious for General Motors and profitable to close plants in the United States instead of Canada.

While this is true for Canadian-owned companies, it is especially important for foreign-owned subsidiaries that are operating here. The future of Canadian subsidiaries is therefore crucially dependent on the ability of its management to present a compelling business case to its parent.

Our experience to date indicates that Canadian management generally does not have the resources available to prepare such a case. This is having serious repercussions in certain sectors, particularly those in the heavy electrical equipment sector and the rubber and metal fabricating sectors.

In these and other established industries, Ontario firms are clearly facing increased geographic competition, especially from southern states in the United States. Examples of course include the tire industry which has shifted virtually all its modern tire capacity away from the industrial belt in the United States and Canada to the

southern United States and eastern Canada, in Quebec and Nova Scotia.

In the steel and transportation sectors, modernization of Sysco in Cape Breton and incentives to produce locomotives in Moncton are placing Algoma steel in Sault Ste. Marie and General Motors in London at some risk.

Ship building incentives have forced the closure of the most efficient shipyards in Canada. These and other examples demonstrate that Ontario can no longer afford to be passive in its efforts to retain its huge investment and establish industry.

Failure to facilitate adjustment and modernization at an early stage can ultimately lead to industry migration and plant closures.

Earlier I detailed events surrounding the plant closure at Goodyear. It is in a real way a classic case of what occurs when you find out what is happening at a late stage in the game.

I would like to conclude on a more positive note indicating what can be done to help companies plan survival strategies. In 1984, Wabco in Stoney Creek was operating at 20 per cent of its capacity. As a manufacturer of brakes for Canadian railway and public transit cars, it was threatened with extinction because its markets were shrinking.

The American parent was debating whether to cut the Canadian operation to a warehouse and distribution centre or leave Canada altogether.

Not only were 310 jobs at stake, but at the Benn Iron Foundry in Wallaceburg, which supplied 80 per cent of its castings for Wabco, another 120 people's jobs were at risk.

Wabco's Canadian managers turned to the Ministry of Industry, and our market development people decided to make a case that the Canadian plant should be given a mandate to fill all North American orders for freight car brakes.

Following intensive planning sessions, the amount needed to modernize and expand the aging plant in Stoney Creek, came to \$13 million. Wabco took its case to its American directors, and won approval for closing the Pittsburgh freight brake operation and moving the production to Stoney Creek.

With the consolidation almost complete, capacity in

the Stoney Creek plant has tripled and Wabco expects sales by 1990 of 150 million. That's three times the 1985 total.

In all, we are forecasting that spin-offs to second and third-tier Ontario suppliers will rise to 40 million from eight.

At the present time, there are more than 30 similar cases being examined. As well as helping to put business strategies together, the Ministry can also advise on helping with finance. It is not always a matter of setting aside mega dollars for such projects. It is often a matter of tapping into programs that already exist for domestic companies.

Certainly the Ontario Development Corporation will play an increasingly important role in this area. The restructuring of the development corporations is nearing completion and will provide a cornerstone of Ontario's industrial policy. Part of that policy is increasing emphasis on regional development and being able to assist in leveraging private sector investments.

I believe that we must develop a much better consultation with industry so that it can help influence corporate decisions before the bailout stage is reached. It's equally as important that the Ontario government play a more pro-active role and work in partnership with industry in facilitating corporate adjustment to change.

In return, we expect from the private sector that they will be prepared to make a long-term commitment to the province and understand the requirements that are needed in order to maintain their operations here.

There is no question that the existing migration of industry out of Ontario can be attributed to more pro-active efforts of competition from other jurisdictions which began five or six years ago. Therefore, it is not likely that Ontario's interests will be served by restrictive layoff provisions whose costs are likely to effectively deter modernization or inhibit new or replacement investment.

We are in the thick of a world-wide competition for markets and investment. In our opinion, our interests will best be served by recognizing that the structural problems of the Ontario economy require active support for adjustment measures aimed at improving our ability to compete in the global marketplace.

Thank you very much.

The Chairman: Thank you, Mr. Levalle. There are a couple of members that indicated an interest in some questions.

Mr. Gordon.

Mr. Gordon: Mr. Lavelle, what specific programs, new programs have you established to meet the needs of people of northern Ontario?

Mr. Lavelle: Well, the Ministry of Industry has been involved in a number of areas with respect to northern Ontario. The first one of course was the involvement of the Northern Conference, which we were involved in trying to look at the economy and the structure of the northern economy and trying to respond to the difficulties there.

With respect to existing programs or new programs, the New Ventures Program is a program which provides an incentive in northern Ontario which is greater than the one in southern Ontario which is regionally oriented in our opinion.

We have also encouraged the entrepreneur conferences on entrepreneurship by the Small Business Secretariate in northern Ontario, and we are presently involved in expanding the operations of the Ontario Development Corporation to NODC.

We have announced two new offices for northern Ontario, and we have expanded and encouraged an increase in the funding to projects in that part of the province as well.

Currently we are looking at a number of other problems, programs and projects within the Ministry which would help us take a more pro-active approach in the future, but I am not at liberty at this point in time to discuss those.

Mr. Gordon: Well, we heard this morning from George Tough, the Deputy Minister of Northern Development and Mines.

Essentially what he said, and these aren't his words, but this is the conclusion I drew, was that there were basically two areas that his ministry and other ministries could be looking at. One was the fact that there could be future development in the tourism industry in northern Ontario.

This was one of the areas that we could look to for some jobs, and the other was to be empathetic and sort of able to help the structural industries or the industries

that have structural problems, which is mining, with their projects. You know, the government could try their best along those lines.

But you know, tourism lasts in the north about seven, eight weeks, and the mining industry is not hiring more men. It's hiring fewer people, and you say the same thing for the forestry industry.

Does your ministry believe that manufacturing is a viable industry for northern Ontario?

Mr. Lavelle: The short answer to that question is yes, we do believe that, and I guess when you asked me the first question, Mr. Gordon, you talked about a specific program. Let me explain then, and I think Mr. Gervin and myself and others in the ministry and indeed the direction that we get from the government, is very much involved with trying to achieve some breakthrough with respect to secondary manufacturing in northern Ontario.

As you know, as part of the Ministry of Industry, we have established an Assistant Deputy Minister for Northern Industry in Sault Ste. Marie whose primary purpose is to try and find a way to encourage manufacturers or secondary manufacturers to locate in northern Ontario.

We cannot at this point in time claim that we have had much success with that because when we talk to potential investors in the province, they of course have certain places where they wish to go. But I want to assure you that in every case these days, we talk about the possibility of these companies that come to us establishing in northern Ontario, and we are looking particularly in the Sault Ste. Marie case, the case of Algoma steel and what possibilities exist for taking some of the products that they produce in blank form and ship to the automotive companies in Detroit to see whether there is any possibility of upgrading that production in the Soo.

I remember very clearly the last time that I was in Sudbury, we went to visit Peter Kenny in his operation in Sudbury, in which he is supplying very successfully automotive parts to many companies in southern Ontario, and of course the government of Ontario through ODC and other institutions has been helpful to him in getting that plant established, and I would say that we are hopeful, although I would be crazy to give you any deadline as to when we will achieve good results in that respect.

Mr. Gordon: Well, when your minister, your new deputy minister goes out to sell northern Ontario as a possible place for manufacturing, what do you say about them?

Mr. Lavelle: Well, I think I just repeated one of the things that we say. Obviously we have an awful lot of people that come to the Government of Ontario who are in the business of producing automotive parts and equipment, and we think that there are, on certain products, good opportunities for those companies to locate in northern Ontario simply because of the availability of raw materials and the access in some cases to the markets that are directly related to the United States.

What we do in most cases is we listen to what the companies want to do, try to encourage them to ensure that they are going to look at all parts of the province and provide that opportunity if there is space, if there is land, if there is other kinds of incentives that will get them there. We discuss that with them.

We have published in an effort to try to encourage people to locate in the north a rather extensive book which indicates what the opportunities are there.

We have of course our regional offices in the north and we have the ODC, so that we have indeed made those opportunities clear.

The Chairman: May I gently remind members of our mandate to deal with shutdowns and closures, and in keeping with that, then I would draw the attention of the members to the last paragraph of page 22 which speaks rather starkly to our mandate.

Can I pass on to Mr. Mackenzie?

Mr. Mackenzie: Well, I might as well go exactly to that point. I found your brief extremely interesting, and I made a couple of notes as we went through it on page 17 where you talk about the tough choices in the first paragraph that must be made and which plants to expand and which are candidates for closure.

The comment that in branch plants, the Canadian management generally does not always have the resources available to prepare a case in terms of the future of their plants and again on 19, and it struck me right off the bat of the situation that was raised earlier today, the Rolland deal, the failure to facilitate adjustment and modernization at an early stage.

Now it wasn't modernization in that Rolland plant, but it was the modernization I guess in the other plant and the fact that the information -- the facts really weren't passed onto the workers that led them to lose fear, and my question was going to be, are you then with those comments saying that something needs to be done in terms of the protection of workers or do you accept that

something needs to be done in terms of the protection of workers other than the case you are making, obviously to get on board and become competitive in today's market.

And then you hit us with the paragraph on the bottom of page 22, and I guess what I am asking when you say, "Therefore it is not likely that Ontario's interests will be served by restrictive layoff provisions whose causes are likely to effectively deter modernization or inhibit new or replacement investment." Are you in effect telling us not to put in place protection for workers in terms of the kind of plant closures and situations we are seeing, because that sure as hell sounds like it with that paragraph?

Mr. Lavelle: Well, I wouldn't want to make that judgment. I guess, Mr. Mackenzie, what we were saying is that I would say two things. First of all, the first comment is that in many instances, and the Goodyear case is a good example, the operations in new Toronto really was not in control of its own destiny.

Those decisions were clearly made in the United States, and even though when we talk to the president of the corporation in the United States, he wanted to make it sound as if that was a Canadian decision, but it was not.

There is a difficulty, and there will always be a difficulty in that case with subsidiaries of multi-national corporations. To answer your broader question, I guess the point we were trying to make and it is that what is occurring in the marketplace and among industrial companies in particular is that there is a tremendous restructuring going on in which it is important for companies to respond appropriately, obviously bearing in mind the social consequences of the people who are employed by those firms.

We are also saying in the presentation that we are involved in a more competitive environment for investment, and you know very well what some of the competition is, particularly from the southern United States and others, and we are saying basically that the committee should be judicious in terms of looking at impediments which would interfere with the process of becoming globally competitive.

Mr. Mackenzie: Forgive me, Mr. Lavelle, if it clearly seems to indicate a bias -- I'm not sure if that's the right word -- that says, hey, be careful about factoring in the cost to the workers and the decisions to compete and modernize, and of course that gives me great difficulty considering what's happening.

Mr. Lavelle: Well, I understand what you're saying, and I guess that if we are looking at the developments which are taking place in other countries, the way in which workers are being impacted either by trade legislation or by other legislation is that governments are taking action to put into place legislation which assists the workers as opposed to restricting the companies from making certain decisions.

I am not saying. We are not making that judgment here.

Mr. Mackenzie: It certainly triggered an alarm bell right off the bat.

One quick question, if I can, on the Goodyear situation, and I understand, as you have pointed out and it's the case in all too many plant closure situations, that it is a branch plant type of an operation, but two things struck me on the Goodyear deal, and I am wondering if you have any comment on them.

First, back in '81, I have a copy here and I don't need to read it, but of the Larry Grossman news release, Goodyear got a \$500,000 provincial grant to help finance a 17 million conversion to radial tire production at the Goodyear plant, and I remember at the time some of the members speaking to a union meeting shortly thereafter, and while it didn't modernize the whole plant, it certainly was a shot in the arm and a belief that they were now competing again in that particular operation.

And then in 1985 in Goodyear's annual report, I will quote exactly the couple of comments. Well, one in particular, and this is out of their 1985 annual report:

"Goodyear tire production facilities around the world were coordinated as part of a significant reorganization with the emergence of Goodyear Canada as a world-class producer of tires within the Goodyear global corporation."

Now, given the change to the radial tires, the substantive amount of money that went into upgrading that in '81, given Goodyear's comments about how great their Canadian operation was in their annual report of '85, was that just so much talk and is that what we are to take out of some of these company's annual reports when we follow through two years later or three years later with what happened to Goodyear?

That's their quote, not mine, in their annual report.

Mr. Lavelle: I would say in all likelihood that the

statements that were contained in the annual report were probably correct at the time. What occurred -- well, there is a number of things that one could say.

First of all, I think that what has occurred in the tire industry is that some of the North American producers in particular have been overtaken by foreign producers who have adapted new technology much more rapidly than the North American tire industry.

I would also have to say that the other events that have taken place which stunned me I think when we met with the Goodyear people for the first time is that a majority of their production at the Ontario plant was in bias ply tires, and the fact that nobody is using them anymore didn't seem to strike the management as a means of making even a larger injection of capital in order to try and keep that facility in operation.

The third case of course was the whole buyout phenomenon that went on, and somebody obviously said in headquarters that the Ontario plant was expendable.

The fourth incident was that there were incentives given by the Federal Government in Ottawa in order to facilitate the expansion of the tire facilities of Goodyear in Quebec, and that operation has been the beneficiary of what has taken place in Toronto, so there were a lot of situations.

I guess that when we looked, ourselves, at the tire industry and we have, as I've said during the course of our remarks, we got a very rude awakening ourselves with how dramatically the technology had changed and what a position it leaves the tire industry in in Ontario.

Mr. Mackenzie: That begs one question obviously then. We gave them, according to the Grossman Release, the Ontario Government release, a \$500,000 grant to finance the \$17 million conversion which was supposedly going on at the time to radial tire production. Did they deceive us? Was the money not spent then in putting it into a radial tire production facility if it's still bias ply tires that they are producing?

Mr. Lavelle: They were producing some radial tires in the Goodyear plant, but the conversion to total radial tires, I don't know whether at the time -- Mr. Gervin may have a better recollection of what was going on, but at the time, they didn't move as rapidly as they did.

One of the problems with the North American tire industry is that it has not rationalized to this extent that other industries have, and this has caused a difficulty.

David, if you have any --

Mr. Mackenzie: Just before we do, because you may want to respond to it, the workers once again are much happier in my own town at the moment at Firestone, but Firestone has been on the thin edge for years, and that's the plant with 17 or 1,800 workers, and the thing that threw me totally in the money - and it was about the same figure, 17 or \$18 million in modernization that went into that plant, maybe a little better than that - ended up with a plant that's producing bias ply tires, not radial, and I don't know where the hell the future is in that, and I'm wondering if we are getting euchred all the way down the line in some of the decisions that are being made.

Mr. Gervin: Well, with regard to your first question in terms of the assistance that was provided in '80 or '81, the attempt of Goodyear's management at that time was to upgrade and have a more balanced output relative to radial versus bias ply.

There is no question that I believe over \$20 million, or the arrangement I guess was 17, that there was more than that invested in terms of their commitment to the radial production.

The reality in terms of the economy of mass production and scale relative to the radial tire production is one in which if you are talking about an integrated plant, it's a significantly higher level of investment than 25 or \$50 million in terms of the technology and the productivity and quality control requirements. They are dictated by the OEMs and by the marketplace in terms of radial tire production.

The arrangements that were made relative to the \$500,000 of provincial assistance was against job targets, investment and technology transfer which they fulfilled in terms of the annual monitoring of that arrangement over a five-year period.

I think there has been a recognition, as Pat Lavelle mentioned in his opening remarks, that the tire industry itself, that we have had a close watch in the past and a more in-detail examination in terms of the existing facilities, monitoring extremely closely, and you are correct that Firestone at various stages over the last five to ten years, there have been some uncertainties relative to its operations, but because of the existing quality and quality control and the productivity of the workers, it has gotten through in terms of that particular situation.

Mr. Mackenzie: I don't believe what we read in company financial statements anyway. That's pretty obvious.

The Chairman: Thank you, Mr. Mackenzie.

Mr. Offer.

Mr. Offer: Thank you, Mr. Chairman. Throughout the brief, I detect certain attitudes which are quite obvious. Firstly, that a reluctance about bailouts in that they delay the inevitable in many cases.

Secondly, that modernization and restructuring may lead to migration, plant closures and/or layoffs, and you also bring out the Wabco example as to what can be done when a company does turn to the Ministry.

My concern is with respect to those companies that don't turn to the Ministry, and in particular, on page 22, your second paragraph, you talk about the necessity to develop better consultation with industry before that bailout stage is reached, and my question is if you could share with us your thoughts as to what type of consultation, what framework does one have in mind so that this type of consultation between ministry and industry and everyone associated with the industry could take place so that there would be more Wabco-type examples?

Mr. Lavelle: Well, I am not sure that I can express a framework which answers that question completely. There is a number of things that obviously have to come into play.

In terms of developing a process of consultation with industry, which has been what Mr. O'Neil has done by extending the opportunity for all the major sectors of the economy of Ontario, to meet with the Ministry and to have a discussion with officials and to have an exchange of views at which we then have the opportunity to try and understand what is going on in those various sectors, and we are involved in a process which will make that an ongoing process.

What happened previously in many cases is that many of these sectors would not appear in the Ministry or there would not be very much dialogue until there was a crisis, so we are hoping that that kind of activity will be helpful in alerting us and indeed giving the business community some assurance that they can in fact expect some response from the government if they have difficulties.

The second is that we have improved within the government both from the program delivery side and our improving the delivery through the Ontario Development

Corporation and other programs that are meant for industries who want to either expand or modernize or indeed build new facilities.

The third is that we have undertaken to expand our ability for strategic planning within the Ministry so that we have a better idea of what is going on in the relevant sectors of the Ontario economy, whether it's the steel industry or whether it's the automotive industry.

We have got to be able to advise the government precisely what kind of trends are developing and what is likely to occur in some sectors of the economy if we do not take a pro-active stance in terms of new investment policies or new programs.

In the Goodyear case, presumably we can help facilitate new investment in the Greenfield site. The process is one in which there has to be action in many areas.

The final point I would make is that the government has committed through the Premier's Council and the development of the Technology Fund the opportunity to try and encourage the development of new industries, in high-tech industries and through the Centres of Excellence Program to develop new products that heretofore haven't been developed in the province.

So there has to be, in our opinion, many, many areas of activity that co-ordinated within our ministry which will give us the opportunity to respond more quickly rather than being always reactive to a situation.

Mr. Offer: I understand somewhat what you're saying, and I don't profess to know as much as my colleagues around this table, but the question is that we are dealing with a company who, for whatever reason, is on the verge of closing, and there are a myriad of reasons, and my question is is there any thought to that company before it does take the bailout stage to come before the Ministry, to see what might or might not be available?

It doesn't mean to my way of thinking that that's a guarantee that there won't be a closure. It's not a guarantee that there won't be layoffs. It's not a guarantee that there won't be people put out of work, but it is an assurance that something has been done to look at all the possible alternatives so that there would be that Wabco-type of an example as opposed to that Goodyear-type of example.

I mean, I would like to know if there is a thought for that type of avenue, for that company to do, to come before us, to see what's available, see if there is a

possibility, an alternative as opposed to a notice.

Mr. Lavelle: I am going to let Mr. Gervin answer. Mr. Chairman, I have to leave. Excuse me.

Mr. Gervin: Yes, in response to your questions, if we have an opportunity, preferably before there is notice given to the Ministry of Labour ourselves and have an adequate working time, a variety of the options are discussed in terms of leverage buyout with the existing management, whether the workers would like to participate, is there any opportunity for restructuring the capital requirements in terms of the company, the offer of incentives relative to the acquisition of equipment and training and other key ingredients in terms of its overall competitive position relative to its multi-national within its own domain and corporation or if it's an individual entity relative to the marketplace itself.

I think that if one is addressing the issues, whether they be in southwestern Ontario or northern Ontario, if you have an adequate level of time, for example, the American Can Pulp Facility in Marathon. They were divesting. I am referring to American Can in Connecticut, their pulp and paper productions in North America, and they notified the government and there was an adequate lead time to work in terms of potential buyers, arrangement, changes that might have been required with regard to wood lots, and there was a successful sale and capital commitments made by James River and the facility was taken over, and it seems to be the capital was increased.

The project was upgraded, adjustments were made by the Ministry of Natural Resources, and we did not have a calamity relative to a community in Marathon even though it was at that time starting its expansion relative to the Hemlo gold find.

Mr. Wildman: Would you say the same for Terrace Bay?

Mr. Gervin: I would say that they're entirely different circumstances in terms of those arrangements. If one gets notice, getting back to Mr. Mackenzie's opening statement with regard to Rolland paper, that is probably news to Mr. Mackenzie and news to the Ministry of Labour and certainly news to ourselves along with the employees.

I think there is an opportunity to actually act and respond. That doesn't mean in some situations, for example from my perspective in terms of the Goodyear operation, you are dealing with how competitive that facility is in terms of the tire market itself, where it

ranks in terms of quality control, waste and overall cost relative to the five or six existing facilities that they had.

Obviously, as the Deputy alluded to, there were factors exacerbating that relative to the merger and acquisition phenomenon that we are experiencing in North America, but I think it's realistic to recognize that that facility by anybody's standards was not world class, that workers and the line management certainly were doing an excellent job in terms of productivity relative to what they were presented with in terms of the Lakeshore facility.

The Chairman: Mr. Pierce.

Mr. Pierce: Thank you, Mr. Chairman. Some of my questions have already been answered.

Mr. Gervin, in the remarks by Mr. Lavelle, there was the question of more consultation or further consultation or participation with particular companies pending shutdowns or anticipated layoffs.

We know that certainly industry has told us, the softwood lumber industry, that as a result of the tariffs and the taxes imposed on the softwood lumber industry, that there could conceivably be some very, very serious problems in that particular industry.

Could you tell me at the present time what MITT is doing in respect to assisting or developing some form of consultation with the softwood lumber industry pending the kind of reaction that they expect to happen?

Mr. Gervin: Yes, and the emphasis was on -- and you accurately phrased it in terms of could have an impact relative to the overall marketplace. We are anticipating that it might not be that dramatically affecting the communities in the short run, but we certainly have a concern.

There have been a series of discussions in a pro-active sense over the last two to three months with the different associations. As you are aware, there is different representation and multi-faceted in terms of that sector.

What we have managed to do is narrow that down to three spokespeople for that industry in terms of the collection of representatives that speak for that sector or subsector.

One of the areas that has been identified that we have worked with and will be assisting on both financially

but more importantly in targeting is the diversification of the marketplace, not to the Pacific rim which the Northwest and British Columbia -- northwestern United States and British Columbia seem to have transportation and infrastructure that's in place that doesn't allow for a competitive situation there, but in terms of what is required relative to Europe where we feel, and I think the associations representing that sector feel that we have not made a determined effort to affect the standards.

We are talking about grading and standards that are required relative to the European market because of the success and the penetration levels that we have had relative to the softwood lumber in the United States market.

I think that a reality in terms of a cyclical industry with or without the Ottawa and Washington arrangement in terms of softwood lumber, that that industry has to address that marketplace at some stage in the game.

The Scandinavian countries are a target of our information and technology transfer as far as the associations' and that's been identified by the association in some areas that they would like assistance in terms of technology, transfer and exchange as far as upgrading the existing facilities so that they can enter that marketplace, particularly with regard to grading and some other things that have prevented entering into that marketplace.

Mr. Pierce: Mr. Gervin, just going along with that, is MITT then actively pursuing other market areas and developing those market areas within --

Mr. Gervin: Yes, in concert with the industry. We are not pretending to be the sayer of wherever the market niche is, but there is a requirement, and our major interest was in identifying the needs of the industry and the effective spokespeople in terms of the small, medium and large in terms of the demographics of that sector. And we are proposing a cost-sharing arrangement because we want some commitment in terms of the sector relative to the technology and market missions that we are involved in, and yes, that would be it.

Mr. Pierce: And also recognizing that there are really two parts to the industry, that of a random length wood as opposed to stud mills and stud cuts, and recognizing also that stud mills are in very, very serious trouble right now today and are shutting down, and that's probably not a factor based on the Ottawa-Washington agreement as much as it's a market factor.

Mr. Gervin: It is a market factor and an overall competitive factor relative to the --

Mr. Pierce: And on the other side of the coin, the random length more versatile operation is presently benefitting from a strong demand market.

Mr. Gervin: Yes, much the same as what's happening in terms of plywood and wafer board relative to the Canadian market versus what's happening in the States in terms of market share by those commodities.

Obviously, if one is involved in identifying the wafer board market, there would appear to be good opportunities as the shift goes from plywood to wafer board in the United States, which wafer board has a much smaller market share than we have in Canada.

The danger of course is that of drawing too much attention to that potential market and countervail so it doesn't mean that there is any panacea relative to softwood or more value-added product in terms of wafer board, et cetera.

Mr. Pierce: Let me ask you then, is MITT also involved in going beyond the softwood lumber industry and that of the pulp and paper industry in recognizing that if there is a shift by provincial governments to move the tariff from an actual tax to a stumpage fee, how it would affect the pulp and paper industry and how it could affect additional layoffs within that industry?

Mr. Gervin: Well, I don't pretend to be a wood products expert, but from my exposure I think with regard to the pulp and paper sector, in the immediate year, the price rises and the stability of that market in terms of the ability to get the margins that are there and the demand in terms of the quality and the supply situation that we have in Canada is quite favourable.

The quid pro quo for that is whether or not pulp and paper is the next or the third or fourth relative to potential targeting on a totally separate matter in terms of the bilateral trade negotiations just in terms of general countervail and a protectionistic congress at the present time.

I believe that obviously if there is a change in terms of stumpage or the tax base which could be even more dramatically affected not necessarily tonight in Ottawa but in terms of whether we have a BTT tax and some other things later in the spring relative to Mr. Wilson's budget, those are all going to have an effect in terms of the bottomline.

It's hoped that between the marketplace and the ups and downs in terms of tax policy, whether that be the overall tax, corporate tax rate or the individual sector taxes with regard to that, that they will balance on.

Frankly, the strongest upside relative to the pulp and paper sector is the fact that the price increases have held over the last four to six months.

Mr. Pierce: On page 13 of Mr. Lavelle's comments, he indicates that 99,000 new companies were formed in the province.

Do you know if he has statistics available for the companies that actually shut down or the incorporations that were withdrawn?

Mr. Gervin: In terms of that particular figure, Mr. Pierce, it was put in there to highlight the fact that there is a high level of entrepreneurship.

If you are looking for a breakdown about this sort of geometric rise that has occurred in the area of entrepreneurship, the approximate 100,000 entrance reflects a breakout between sole proprietorships, limited proprietorships and incorporations.

We have to be realistic that in terms of those figures, that some of those are owner-operator, consultants, one-man shops, one-person shops. But approximately a third are employing three to five people on average as a start-up situation.

I don't have the stats in terms of the mortality rate. We have a strong interest in terms of dealing with the damage minimization in terms of the start-ups. I think that a lot of our programs are skewed towards management skills on a lot of how to. How to market, how to get a bank loan, how to do a variety of other things, and the target there is to minimize that level of failure.

But really, it has to do with good planning and good luck and good management, and either on the upside or the downside, I don't know if government can be held totally accountable either on the good news or the bad news. What is interesting is that those numbers of registrants have gone up dramatically over the last five years.

Mr. Pierce: Just in conclusion, the comments were made that NODC of course is -- ODC has set up two new offices and is in the process of hiring more consultants.

Is there a backlog with NODC or EODC or ODC on applications and they're being held up because there are not enough people in the field?

Mr. Gervin: I think the Deputy in response to Mr. Gordon's question relative to northern initiatives, as you well know, even though there has been coverage out of Sudbury, Thunder Bay, the Timmins office to other communities, it was felt that if one is looking at the geography and the time involved and whether or not there is more of a pro-active stance in terms of shaking out opportunities in the immediate geographic area, this would be advantageous in terms of NODC to have people in place.

I think it is fair to say that in terms of financial incentives or financial programs, collectively there is an interest in any potential program because if one is looking at the population base, that's why we allocate funds in components relative to votes and items in terms of the north or the east so that Metropolitan Toronto is not cannibalizing the total budgets, so I think it's more a delivery of service relative to the geographic and climatic conditions that one often finds.

The Chairman: I thank you, Mr. Pierce.

Mr. Wildman.

Mr. Wildman: First I would like to apologize for being late. I was involved in a meeting with chiefs of Ontario with regard to the constitutional discussions.

Mr. Gervin: Yes.

Mr. Wildman: Jack Pierce I am sure can attest meetings of that sort do tend to go on at length, and it was an important and useful topic and, unfortunately, it took longer than I expected.

At any rate, I want to raise a number of questions with regard to Mr. Lavelle's brief, and if you have gone over them before, just tell me.

On page 5, he indicated that the number of closures and layoffs has been declining as a result of resurgence of the global economy and that this includes Ontario. This morning when we had Mr. Tough and staff from the Ministry of Northern Development and Mines before us, he went over the trends in terms of unemployment and layoffs in northern Ontario, vis-a-vis Ontario as a whole and Canada.

And what he indicated was that while that statement is true of Ontario, it is not for northern Ontario. That in fact in 1981, '82, the unemployment in northern Ontario, particularly northeastern Ontario, increased faster than it did across the province and went to higher levels and that in fact it has not fallen off as much.

While the rest of Ontario is continuing to decline in terms of unemployment, it appears to have leveled off and perhaps started to increase a bit again in northern Ontario. If that is the case and if that's how you understand it, could you indicate what programs your ministry has instituted to try and deal with the specific problems of the north and for that matter I suppose southwestern Ontario too might be dealt with in a similar way?

Mr. Gervin: Mr. Gordon had asked a somewhat similar question at the beginning of this meeting, but in general, apart from the individual programs, whether they be small business, new ventures, the Northern Ontario Development Corporation, I think the generic issue that has been addressed relative to the line managers who are responsible for those programs is the almost fundamental edict that regional development in terms of direct or indirect financial or management assistance is the most important item.

For example, if we take the larger incentives that have occurred from time to time over the last 10 or 15 years, the vast array of investment capital decision opportunities that were involved, in whether they be existing, domestic or foreign, has a focus in terms of southwestern Ontario. Either an existing entity or looking for the infrastructure that they have received, they require in just in time or other structural requirements that are there.

Those requests are not met or examined in any great detail if there is not a regional focus, and I think it's important to understand that whether they be a large capital investment, that areas that have appropriate infrastructure in terms of the north, in terms of being positioned, for example Sault Ste. Marie with I 75 relative to Michigan. I can assure you personally that in at least 25 major situations, that location has been brought up over the last two years as an opportunity relative to the supplier base in Michigan.

Not necessarily to look after Oshawa or Tupperville, but I think that the major emphasis they are dealing with is not only allocating and pigeon-holing programs, the number of seminars, the number of dollars that are allocated, but in terms of the Deputy and the Minister, insisting in terms of the priority relative to regional development.

We are presently looking at items that do reflect eastern Ontario and northern Ontario and are into the negotiating and legal arrangements relative to those entities. You have not seen announcements in other southwestern Ontario jurisdictions relative to that

particular time frame.

Mr. Wildman: Okay. I understand I think what you're saying, but perhaps you will forgive me if I observe that despite the -- for instance you look at NODC. Despite the additional assistance provided in northern Ontario as well as eastern Ontario, if you look at the long ongoing trends over the last ten years, it hasn't changed anything.

I mean, we are still at the situation where in northern Ontario we have consistently had higher unemployment than the province as a whole. We did, according to the figures given to us this morning, at least follow the trend of Canada as a whole. We were close to that until the last, say, seven or eight years, and now we are even above the average for Canada.

So I would think it would be incumbent upon your ministry to recognize that that is in fact a situation that has to be dealt with and to start to look at what more regional specific programs might be developed to assist, to try and change the situation, rather than continue on the same way we have been for the last 10 or 15 years.

Mr. Gervin: I understand your question. I have seen the presentation -- I presume I have seen the presentation that Mr. Tough made with regard to the data in terms of the trend line in northern Ontario relative to Canada and Ontario.

You started off your question on page 5 which was talking about layoffs and closures and then concentrating on the resource sector primarily as a result of declining commodity prices world wide.

I think that is the first point that Mr. Lavelle made in terms of structural arrangement.

Mr. Wildman: And it is what Mr. Tough said this morning. We are all aware of that.

Mr. Gervin: And I don't think there is an easy solution to that relative to the options of the supply side relative to commodity prices, whether that be nickel or whether that be any of the other resource sectors.

I think that in response to Mr. Gordon's question about manufacturing, that we have a commitment to trying to bring viable manufacturing that has the value add, that supports the tourism industry, the service industry and the small business community, and that's one area that has been a focus. That is a hard and difficult challenge.

The example that we gave to Mr. Gordon was that of the steel that's being blanked-out relative to Algoma and shipped to some of the major suppliers down I 75 in terms of Michigan to have some intermediary fashioning of those appropriate parts relative to the infrastructure that's in place there.

I think there are two areas that have had a different strategic focus in the last year. One is the option in terms of small business as opposed to trying to land something that's large relative to the infrastructure requirements that are dictated in terms of location and other options in southwestern Ontario, and there has been a concerted effort in trying to ducktail either through incubation malls, the community colleges, the universities, small viable entities that have the balance and don't go through the cyclical things, and certainly Sudbury is a good example of some of the public infrastructure and services that have been added there.

Mr. Wildman: I was interested in a study that was done a few years ago that compared Sault Ste. Marie to Hamilton and found that in Hamilton there were a very large number of steel-related small industries, steel fabrication, and a very few or almost non-existent around Sault Ste. Marie. That there's something like a total of 300 jobs at that time that were in steel-related industry in Sault Ste. Marie outside of Algoma itself, and that if there were the same proportion to the total population of steel fabrication jobs in the Soo as opposed to the Hamilton area, there should have been something like 9,000 jobs in related industry.

Now we were told that that always is related to distance. That distance from the major market where as Hamilton is close to the major markets in southern Ontario, Sault Ste. Marie is, and although it's rail and highway and the seaway links, it just is too far away.

Now that's a problem for all of northern Ontario, and I am wondering what effort your ministry is making to try and attract business to the north that isn't dependent or where transportation is not a cost, a large cost. For instance, when we were in Sweden, we saw the development of pharmaceuticals in the northern part of Sweden, the argument being that it doesn't cost a lot to transport pills whereas it does cost a lot to transport steel.

They also talked about the development of computer industry, computer software, because as long as you are hooked into the network, the argument was it didn't matter where the terminal was.

What kind of efforts are being made in those areas?

Mr. Gervin: Well, I think that transportation isn't the major component and isn't a major cost. Even when transportation is a major component if you're shipping it and you have the costs, we believe that there is an opportunity to provide on an intermediate stage higher value added, and you can take the case of Algoma.

On that, on something that's transportation intensive as far as its competitive position, what we have done is we have taken a listing of all of Algoma steel products, where they have been sent to, we have had meetings with senior buyers in terms of the Canadian operations relative to finding the material in the Michigan area, which we have identified, and working to see if we can be a catalyst in bringing to bear somebody to provide that value added in the middle and not only be a catalyst, but also if there is any offset relative to transportation or start-up, that there would be financial incentives.

We are looking for something that's viable. We are not looking for something that's not appropriate. I don't think you can do the same in, for example, Thunder Bay and in Sault Ste. Marie relative to that approach.

In regard to your options such as software, there are pockets in northern Ontario that have been quite competitive and successful, and that applies on regional development issues in Canada including New Brunswick and other areas. At some stage in the game, the marketplace inevitably requires some branch office of the rest, but the value added and the job still mainly remain in those particular communities.

Mr. Wildman: We have seen examples in the United States where major credit card companies have moved their headquarters to very out-of-the-way places. Omaha, for instance.

Mr. Gervin: Yes, Nebraska has become the credit card capital relative to a tax state and the federal tax incentive relative to New York State which has been the dominant location in terms of the banking industry.

Treasury and Northern Development and Mines and ourselves have had a variety of meetings on this issue. Software has been identified, and whether or not procurement, government procurement or other options can be used in terms of enticing that regional development outflow.

I think if you talk to an average staff person in the Ministry of Industry and Trade, they would have heard from the Minister and from senior officials, but when we look at the growth rate over the last 12 months of 4 per

cent in real terms, I am talking about the province as a whole, that when you disaggregate that between Oshawa and Windsor within the 401 corridor, that it's higher than that in real terms, and therefore the negative has occurred in pockets throughout southwestern Ontario, pockets of eastern Ontario and northern Ontario, and that naturally, the question of the average field staff individual sent up the line is what can we do for this company in terms of assistance, trade missions, market development and skills development, and that the attempt there is to skew that entrepreneurial activity or opportunity in terms of a carrot and moral suasion into a regional development arena.

It is hard sledding, and it has nothing to do with the lifestyle, quality of life. In fact, that's probably one of the larger enticing arenas relative to individuals or company management. It is the infrastructure, not water and sewage, but where they are at relative to the marketplace, and this is a phenomenon that obviously Canada faces and so do other jurisdictions. The Parises, the Tokyos, et cetera, in terms of what synergisms and the crowding that occurred as far as the growth in one place, and I guess it's exacerbated by knowledge intensive industries and having that network and infrastructure in place.

That doesn't mean component infrastructure can't be placed relative to northern Ontario.

Mr. Wildman: Again, I just want to get onto a couple of other things, but surely if you could move the credit card capital from New York or Los Angeles or Chicago to Omaha, Nebraska, there is no reason on earth why you couldn't do the same in terms of moving it from Toronto to Thunder Bay.

Mr. Gervin: Yes.

Mr. Wildman: On page 13, you mentioned -- or in the brief it mentions the number of new companies. Do you have any figure on how many of those survived after the first three years?

Mr. Gervin: I don't have that data with me in terms of the measurement. Obviously, that base is taken from Consumer and Commercial Relations as far as the statistical base is valid.

How you measure the default on that would require some sampling, but the highest level of risk obviously over a five-year period we have charted, and I believe it exacerbates by year three in terms of if you make that plateau, so I can't give you an educated guess, but it would be fairly substantial in terms of those registrants.

As I explained at the outset, not all of them are operating entities. There are some one-man shops that obviously wouldn't be reflected in your statistical base.

Mr. Wildman: You said earlier that obviously a large percentage of those would be in the corridor from Windsor to Oshawa.

Mr. Gervin: In terms of small business, it would reflect the per capita distribution on terms of that arrangement. I think that in terms of regional development terms, we have been trying to focus in community involvement because I think that there has been a tendency at the local municipal level that they are trying to attract the investment that provides 150 jobs or 75 jobs.

What we have been attempting to do through incubator malls and seminars and a variety of self-help centres and a variety of other mechanisms is to get the local municipality focused and buying in and talking in terms of commitment action, not necessarily in dollars, into the issue of encouraging entrepreneurship that rides out the cyclical storms that we face, particularly in resource dominant communities.

Mr. Wildman: You talked on page 16 about the fact that these changes are no longer cyclical in terms of layoffs with more structural in nature.

Mr. Gervin: Yes, sir.

Mr. Wildman: What has been the reaction of the response of the Ministry to that major and very important change, that we are no longer dealing so much with layoffs and shutdowns related to cycles in the industry but rather major structural changes in the economy which will be long-standing rather than likely to change within three or four years?

Mr. Gervin: Yes, with regard to the overall competitiveness of that facility. The major challenge that I think labour management and government has is whether or not we have an adequate information base in terms of lead time relative to the challenges that one faces.

If you do have an adequate lead time, the options are a little more favourable in terms of either selling the facility, downsizing but keeping a core group and a variety of other options that can be dealt with.

The structural issue is really the rationalization within the marketplace, and it will continue in terms of the international competitiveness that North America faces

in terms of import penetration levels, whether that be in the States or Canada.

Mr. Wildman: What I am basically asking you is is the Ministry actively attempting to identify new areas that we could be trying to encourage development in because we are no longer competitive in a particular area, alternatives?

Mr. Gervin: Well, I don't know whether it is that the government is always the best identifier of market niches or market opportunities. However, I don't think that when one addresses the structural dilemma that North America is facing, that that means because there is a structural change, that that industry is a "smokestack industry" and therefore will not be competitive.

If we had that approach, the automotive industry in northeast North America would not be existing, if you remember the discussions of 198 --

Mr. Wildman: I understand what you're saying, but surely if you take the paper industry as an example, there are certain areas where we are in difficulty because of competition from new areas, fast growing trees in more warmer climates and so on. But there also are particular areas within that industry, specialty papers, for instance, where there are options for development and for investment that we could in fact maintain and expand. Not just maintain the status quo but expand employment by getting into those particular specialties.

Mr. Gervin: Well, we have been directly involved, as you are probably aware, in the buyout of Abitibi's old mill in Sault Ste. Marie with regard to Saint Marys and been directly involved with them on ongoing discussions concerning the calenderized paper market niche and other items with some other major producers in that area.

The identification of that market niche or growth area is one which usually involves a heavy level of capital funding and that we have been prepared to entertain any of those viable propositions in terms of that sector, and wafer board, specialty papers, would appear to be the largest market niche that you are facing in northern Ontario relative to wood product, and broadening the base in terms of softwood where it's relative to Europe.

The Chairman: Mr. Wildman, I wonder if we can come back to you. Mr. McGuigan indicated he has to leave in a couple of minutes.

Would you mind?

Mr. Wildman: Sure.

Mr. McGuigan: Thank you for yielding. I have to leave in a few minutes.

I want to come back to page 22 of your submissions. In that paragraph, therefore it's not likely that Ontario's interest could be served by restrictive layoff provisions whose costs are likely to effectively deter modernization.

If I can stop just there, I don't see how modernization is deterred by extra costs that would result from a layoff. It seems to me the extra cost would be a reason to go about modernizing so that you could avoid the layoff.

Mr. Gervin: Well, I think that the operative word in Mr. Lavelle's comments on page 22 is restrictive layoff provisions.

I think that what you're dealing with, for example in the automotive industry which is General Motors' first round and there will be additional rounds, as Mr. Smith has outlined, in Detroit 29,000 employees were laid off. The investment capital that has been made over the last five years by General Motors along with its work force and the training of that work force and the quality control and productivity that all three parties have contributed to in terms of the Oshawa and St. Catharines and Windsor facilities is one in which it survives a cut for the rationalization.

Now I guess the issue of Mr. Lavelle's comments about restrictive layoff provisions is one in which: Would that investment have been made originally if there was a proviso that was quite extensive relative to what provisions are required in terms of layoff. Would the \$5-billion that General Motors had invested if there was restrictive layoff provisions, would that investment have been made?

Mr. McGuigan: I think that's a reasonable question to ask, but I separate these into two questions, but since you have raised that second question, when you are talking about \$5 billion, was it, that saved our end of it?

Mr. Gervin: I didn't say saved. I said that because of a variety of entities including the upgrading in terms of capital, the labour force, the productivity, the training and the bottomline with regard to GM Canada, there wasn't a major disruption relative to that rather large work force.

But regardless of how good the workers were, how

good labour management relations were and other inputs in terms of the social and other factors, if there hadn't been state-of-the-art equipment and a product mandate given, that would not have allowed the operation at some time to either be rejuvenated or phased out.

I am not referring to Oshawa per se. I am talking over a period of time.

Mr. McGuigan: But in making that decision to invest, it seems to me the investor would decide in their minds that Canada was a good place to do this because of political stability, the quality of our work force, our geography and all of those other things that make them invest in certain places.

Mr. Gervin: Yes, sir.

Mr. McGuigan: And in ranking those items, it seems to me that a little more humane system of shutting down, the relevant costs of that would be small as compared to the benefits that they ascribe to the area in which they made their decision.

I guess the other thing is when you invest, you are usually optimistic. You are thinking that you are going to win anyway and you are not going to be faced with closing down. You know, every one of us looks forward to another 50 years of living and we all know that we aren't going to, at least at my age we know that we are not going to.

Mr. Mackenzie: Speak for yourself.

Mr. Gervin: I guess in response to that --

Mr. Wildman: I just live from one election to another.

Mr. McGuigan: I live from day to day.

Mr. Gervin: I would suggest that if we are talking about a cyclical downturn during '81 and '82 as the markets plummeted in terms of general business activity, particularly in Canada relative to the States, that those that survived the cuts and rationalization that occurred in a cyclical downturn were those that were the most competitive in terms of a variety of inputs. And that I think the operative words that I alluded to earlier with regard to Mr. Lavelle's statement were restrictive layoff provisions, but obviously the legislation, the overall business climate are quite important considerations in any investment decision.

I don't think that I am detailing any great secrets

that are not in the general press, that various major corporations have publicly stated depending on how labour management relations and a variety of other factors are going about investment, particularly in the automotive industry from time to time, and those comments are quite cyclical, too. Up or down, relative to the majors in terms of their perceptions of other issues than the return invested capital or discounted cash flow or other analyses that they use.

Mr. McGuigan: Thank you. I just wanted to make a comment, Mr. Chairman.

I think so far we have largely been avoided the reasons for which this committee was struck on the second day, but it seems to me we should start focusing in on the business of shutting down and how you might possibly make the situation a little bit easier and what the costs might be.

I don't know whether we will ever get that, but looking at the life of a factory which is put up to operate for 30 or 40 years before it becomes obsolete, it seems to me that costs amortized over that period of time of a few more bucks are a little different system than closing down in the overall picture.

The Chairman: I appreciate your comments, Mr. McGuigan, on the committee addressing the specific problems of shutdowns and closures, but that will make the committee function more efficiently as we proceed.

Thank you.

Mr. Pierce: Well, I suppose it won't be as much fun.

Mr. Gervin: Just for the record, in terms of capital facilities and the restructuring issue that other members of this committee have been addressing, I would be remiss if I let the comment that a facility operates for 30 or 40 years go; that the time frame of capital facilities in terms of the technology and the competitiveness that one faces in Taiwan, Brazil, Japan, or our own marketplace in terms of North America is one in which I would estimate as an individual is probably closer to five or six years.

I am not talking about bricks and mortar. I am talking about the skill mix of the workers, skill mix of the managers and all of the ingredients. It isn't like it used to be where you can do wiring harnesses or roll steel and that the equipment is there and the people are there in terms of being competitive for a 30 year period.

It's closer to five, and that's part of the structural issue that's being exacerbated in terms of the technology change and the globalization in terms of the the challenges that we face in this province.

The Chairman: Is there anybody else before we go back to Mr. Wildman to finish things off?

Mr. Wildman: I only have two other matters that I wanted to raise, Mr. Chairman, and one of them relates to what Mr. McGuigan was just saying.

On page 18 of the brief you make mention of Sysco, the modernization there, and I suppose you also -- and Moncton. You also included the rail contract. Wouldn't you agree that whatever happens with regard to Sysco and the federal contracts, that's not going to make or break Algoma steel?

Mr. Gervin: That is much the same as the variety of questions that have been addressed to Pat Lavelle and myself. I don't think there is one key ingredient that makes or breaks an investment decision or a plant closure.

It is an accumulative level of inputs or factors which either make or break the arrangements, so it is whether that the pollution control order or whatever is added to a variety of other entities including the loss and labour management relations and other entities.

I believe that that was placed on page 18 to address the fact that Minister O'Neil and the Deputy collectively and individually, privately and in federal-provincial meetings, have tried to address the issue of regional development from Ottawa's perspective and whether or not cannibalizing of the existing base is good regional development in terms of Canada, in terms of aero space, rail and a variety of other entities; not suggesting that if there was a rail contract, that Canadian Pacific would ensure for the next ten years that Algoma was --

Mr. Wildman: Got 50 per cent or something.

All right. Are you familiar, and I am sure you are, with the consultant's report that was done to the United Steel Workers of America District Six with the agreement of Algoma Steel Corporation into the current state of that company and its future?

Mr. Gervin: I am in terms of reading it in the general press, but I have not had a copy of that. I am sure that the Ministry and the Deputy certainly have.

Mr. Wildman: Okay, then you should be aware that those consultants basically agreed with what you just

said, that it's a number of factors, and they identified two key factors with regard to the future of Algoma Steel Corporation, which if it closes down, basically would be a calamity not only for Sault Ste. Marie but for the whole of Algoma district and north central Ontario.

But what they said was the two major factors among many were the debt load that that corporation faces and the product mix. Number 1, it owes about \$700 million, although they claim "only" to owe \$500 million, but if you include a number of other things which the consultants said really were obligations on the part of the company, it's 700 million.

And the fact that they are producing the wrong products basically do not go well for the future of that company over the next two years, and I understand that meetings are going on involving the deputy ministers, your deputy as well as Northern Development and Mines and Labour to try and deal with that in discussions with the steel workers, and what their consultants basically say is that if this matter is going to be dealt with, it's going to involve all of the players, not just Algoma steel management and not just the workers but federal and provincial governments, the lending institutions and the parent corporation, Canadian Pacific.

I would hope that those meetings are ongoing and successful.

The final thing I would like to refer to is what Mr. McGuigan raised on page 22, and this is the crux of your whole presentation and it's certainly central to the mandate of this committee.

The Chairman: That issue was raised with Mr. Lavelle as well.

Mr. Wildman: Yes, that it's not likely Ontario's interest will be served by restrictive layoff provisions.

I don't know, Mr. Chairman. Was this raised with Mr. Lavelle in regard to European jurisdictions?

The Chairman: No, we didn't talk about plant closure and shutdown recommendations we might make.

Mr. Wildman: Well, we saw in our discussion earlier with Mr. Nigro the requirements in West Germany and in Sweden and in Britain as examples of other jurisdictions where there are quite significant restrictions with regard to layoffs and shutdowns. And while all of those economies are experiencing structural change, you could hardly argue that West Germany and Sweden and even Britain are not competitive with Canada, with Canadian industry,

and in some cases are in direct competition. So why are you concerned about the possibility of "restrictive layoff provisions" when in fact our competitors have restrictive layoff provisions?

Mr. Gervin: In response to that question, it's my personal belief in responding to that issue that our competition in terms of the marketplace both in selling products but more importantly for investment capital resides in the North American playing field; that we are not competing on a day-to-day basis to nearly the same extent for investment capital dollars against Sweden or France or Great Britain or West Germany.

The vast majority of the capital investment decisions in which Canada is an option or an alternative is with US locations, if you are talking about the medium-size and large-size investment capital arrangements. And therefore if one is looking at the emphasis in terms of restrictive, what is the rest of that jurisdiction doing as far as North America on a comparative basis? Whether that be occupational health, pay equity, environmental controls and a variety of other social issues that have a legitimate impact in terms of investment capital decision making.

So that what happens in Scandinavia might be analogous in some sectors like Finland in terms of pulp and paper, but in general, it's what's happening relative to the northeast United States, which is our closest competing jurisdiction, or Quebec or Manitoba in terms of the modernization and the capital investment.

So I think the operative word was whether you have restrictive layoff provisions so that there is at least an opportunity that you are not pro-acting to a layoff, that you are averting a layoff by encouraging the investment capital decision. That doesn't mean you can do it every time, but if we have a focus that concentrates on the end over here in which it's how you deal with the layoff and that we are not replacing that capital or the modernization either in that industry or that sector, then I think we have a modest dichotomy.

For example, the approach of the Ministry and the Government with regard to Collingwood. Even though that's southwestern Ontario, it's a facility that's been there for 100 years.

The ship building industry in this country is all public procurement. There is no commercial or private sector building going on, including the Great Lakes system, where they are built in Taiwan or South Korea or Brazil.

The capacity, we have four times the capacity in Canada that the demand curve from a public sector is dictating and the approach that was taken in concert with Ottawa and with the company and with the labour force was what sort of quid pro quo can be made relative to rationalizing consolidating in terms of Thunder Bay and Port Weller because the logistics were such that you couldn't retrofit and deal with contracts because of the geographic location in terms of Collingwood versus Port Weller as far as the ships getting to that location.

The approach that was taken was one in which there was a commitment by the company of an extremely generous severance arrangement relative to contract and standards, et cetera. And that what we attempted to do was to balance that off with some restructuring relative to Thunder Bay and Port Weller to ensure that in the medium term that there would be some ship building capacity. But then in trying to address the modernization, our competitiveness issue not in that sector, to try and get some replacement relative to 300 plus jobs in terms of Collingwood by bringing in a joint venture as far as Aluminum Wheels with a German and Canadian operation.

You can't either be good or and lucky at the same time relative to those processes, but that was an opportunity in which we were fortunate enough in terms of the lead time that we are dealing with that we could restructure one down and there would a birth of something new at the same time.

Mr. Wildman: I understand what you're saying, but basically what you're saying is it would be better for us to compare the provisions with regard to layoffs and shutdowns in the northeastern United States, and Quebec and Manitoba, because that's where we are in direct competition.

Mr. Gervin: Well, the closest proximity or as alluded and stated in terms of Pat Lavelle's comments at the beginning to the southeast United States.

Mr. Wildman: That's what I was going to say. I mean, you have got a tremendous investment going on in the sunbelt all across the southern US.

Mr. Gervin: Correct.

Mr. Wildman: And certainly the northeast is in competition with that, and we have seen a significant movement of industry from New England, for instance, to the sunbelt. That has been now replaced in places like Massachusetts and to a lesser extent from Auton and New Hampshire with new computer-based type industry.

Mr. Gervin: Not a lot of manufacturing?

Mr. Wildman: No, more service-type industry. So I suppose if someone were making the argument in the northeast US, they would say, "Well, we have to compare what our regulations are to the southeast," and that gets you into a situation, does it not, where you are starting to talk about right to work legislation, where you are starting to talk about all kinds of so-called free market approaches to labour management relationships which I hope you would not want to contemplate in this jurisdiction.

If that is the case, then why should we look right next door and say we have got to be in the similar situation because surely the northeast US isn't contemplating similar regulations to what Georgia and Alabama are proposing.

Mr. Gervin: I don't believe, speaking as an individual, that when one compares the United States to Canada generally the public at large has agreed regardless of what jurisdiction or what government is in power at what level that the public sector does have a more significant role relative to the social infrastructure in terms of Canada.

That obviously is an issue relative to the ongoing free trade debate in terms of whether that's a direct incentive along with the devaluation of our Canadian dollar.

We were not making any references to the southeast United States or the northeast relative to pollution control orders, workmen's compensation, pay equity or a variety of other of the legislations that have been brought in by a variety of governments in this country.

The operative word was whether or not the restrictive layoff, with the emphasis on "restrictive", was a deterrent in terms of investment capital in terms of modernization. And that the point that we are attempting to make is that if it is restrictive, it's another factor that is considered a detriment in capital terms, not in public or social terms, as far as a trade-off is made in terms of a board of directors or a vice-president of finance.

Mr. Wildman: Mr. Chairman, I think perhaps it might have been useful, and perhaps we can do this again during our deliberations, if we look at some of the other jurisdictions that we are in direct competition with that are not necessarily right next door, such as Japan and so on. And whether we should deal with what I think is a central issue in facing this committee, and that is whether or not workers and labour are a commodity that can

be disposed of or whether or not they are people who have helped to contribute to the development of a company and to its wealth and whether or not they are therefore owed certain obligations by that company, and have to be treated like people rather than just a piece of equipment that can be disposed of when it's no longer "needed".

The Chairman: Thank you, Mr. Wildman.

Any other questions or comments from members?

Mr. Mackenzie.

Mr. Mackenzie: Just one question and two quick comments. The Collingwood deal that you entered into, the difficulty I have with that situation is that probably it was the best close-out package I have seen negotiated there, but the close-out package was still just that. And it was largely done, you know, the offsetting production facilities on the lakes that the government entered into is another matter and important, but if it wasn't for the union -- I have heard of no other company being willing to talk turkey with them -- we probably wouldn't have had the kind of agreement we did, so it wasn't something that was required by legislation, it was literally a damn good close-out agreement, if that's what you have got to go for.

Mr. Gervin: I think it was probably a four-party arrangement in terms of that federal-provincial company and the union on that severance package. There was a very significant concern about the fact that there was a closure and that that was a component from day one as far as the ongoing discussions, which in terms of ship building capacity with that company, with the union and the municipality, have been ongoing for approximately two years, but in detailed discussions about what could be done, so I don't think anybody was directly responsible.

Mr. Mackenzie: If you are accurate on that, then it's surely a good indication that there are other sectors that should at least have the same kind of favourable treatment that we ended giving those workers.

Mr. Gervin: If you have an appropriate understanding in terms of the lead time and not necessarily on a legislative basis but in terms of trust in identifying the collective issues that one is dealing with, then there is an opportunity for more flexible and imaginative schemes than if you are dealing on a reactive basis.

Mr. Mackenzie: Let me ask you a question that deals directly with the mandate of this committee. I don't think there are too many people that will disagree

that two of the difficult things we are looking at are notice or lead time, or however you want to state it, and the justification procedures.

Indeed they are really I think included in what's been referred to this committee. The usual argument may be changing with the changing times, but the usual argument we get from the business world is that these kinds of provisions tend to risk their competitive picture with their competitors, the release of information or the justification of certain moves or additional lead time.

That used to be the argument we had for a number of years, and I guess what I am asking you is do you and does the Ministry buy that particular argument?

Mr. Gervin: Well I think it's like -- I won't try and duck the question totally, but I don't think you can take -- that's a generic question and I don't know if there is a generic answer.

I have been with the Ministry of Labour in terms of meetings where you have been there in terms of the Ministry of Labour critic - I am thinking over the last 'x' years - in which there have been corporations who I believe have handled themselves very well in terms of the openness and the disclosure, the strategic plan that's gone into it, the notification of people. And there have been other people who have been at other meetings at the circular table of the Ministry of Labour in which aren't terribly interested in jumping to the defence of our constituency in terms of cabinet allocation.

So I think that it varies quite dramatically, and I think that you have been party to those meetings also in which some of the people you would like to take aside and say here are the realities of the 1970s or '80s and there are others who have performed quite well.

I don't know if there is an easy panacea in terms of some mandated solution. I think that in responding to Mr. Wildman's question earlier, there was the recognition that there are a variety of factors that allow for a yes in terms of capital investment and modernization and there are a variety of factors as far as the yea or nay, and some of them are quite personal relative to the decision makers and there are others that list all of the items in an appropriate fashion.

Mr. Mackenzie: I am not sure that helps us. We have still got to make the decision because you can't separate the good guys from the bad guys.

As you are saying, you are going to have to decide whether or not it makes sense that there is the lead time,

Mr. Cordiano: Any further questions? If not, then I would like to -- I'm sorry, did you --

Mr. Evans: I just wanted to, on behalf of the Council on Aging, thank you for the invitation down here today and listening to our views.

Mr. Callahan: Thank you.

Mr. Evans: We've come down here and I hope that we can keep feeding you information.

Ms. Strachan: As a staff person, how quickly would you like the responses to these because I'm thinking if you're meeting, I know the final submission date is February 27th, and being that we really believe in the community process, to try and get something together for the 27th might be a little tricky.

Mr. Cordiano: Well, I would say as soon as you could possibly do that.

Mr. Cooke: We do start clause by clause next week.

Mr. Cordiano: So if you could get it in by then. But on behalf of all the committee members, I would like to thank you for making your presentation.

Mr. Callahan: Particularly those of us who are getting older.

Mr. Cordiano: It certainly shed a lot of light on a number of interesting points. We've had an interesting discussion and I would like to pursue some of those further with you at some other date, and if you could provide us with that information, I'm sure it will assist the members of the committee.

Thank you.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

PLANT SHUTDOWNS

THURSDAY, FEBRUARY 19, 1987

Morning Sitting



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

Bernier, L. (Kenora PC)

Gordon, J. K. (Sudbury PC)

Mackenzie, R. W. (Hamilton East NDP)

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Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Wildman, B. (Algoma NDP)

Substitutions:

Gillies, P. A. (Brantford PC) for Mr. Stevenson

Hennessey, M. (Fort William PC) for Mr. Bernier

Poirier, J. (Prescott-Russell L) for Ms. E. J. Smith

Also taking part:

Grier, R. A. (Lakeshore NDP)

Clerk: Decker, T.

Staff:

Nigro, A., Research Officer, Legislative Research Service

Witnesses:

From Goodyear Canada Inc.:

Buzby, S. H., President and Chief Executive Officer

Fleming, M., Plant Manager, Lake Shore Boulevard Plant

Webb, N., Personnel Manager, Lake Shore Boulevard Plant

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE OF RESOURCES DEVELOPMENT

Thursday, Febuary the 19th, 1987

The Committee met at 10:09 a.m. in room 228.

Review of announced closures of the manufacturing facilities in Northern Ontario.

The Chairman: This Committee will come to order.

We have before us this morning representatives of Goodyear and, this afternoon, from the Union of Rubber, Cork, Linoleum and Plastic Workers Of America, representing the workers at the Goodyear Plant at Lakeshore. We also have Ruth Grier here this morning, who is the MPP for Lakeshore.

Welcome to the Committee, Ruth.

For members who will be with us next week, the tickets will be here this afternoon; so you should try and drop in this afternoon and pick up your tickets for Monday.

Without any other remarks we will begin.

Mr. Buzby is President of Goodyear of Canada.

Would you introduce your colleagues and proceed.

Mr. Buzby: Good morning, Mr. Chairman.

Ladies and gentlemen, I am Scott Buzby, President and Chief Executive Officer of Goodyear Canada Inc. I have with me, on my immediate left, Micheal Fleming, who is Plant Manager of the Toronto Lakeshore facility, and, next to him, Norman Webb, who is the Industrial Relations Manager for that facility.

I would like to have the opportunity to make a statement which, hopefully, will in part answer some of the questions you may have and it might provoke some more questions, but with your indulgence...

We, from Goodyear, are here to explain the reasons and circumstances surrounding the closure of our Toronto tire plant. Before dealing with the specifics of this closure, however, I want to address the real challenge facing government, industry and labour in Ontario and, for that matter, North America as it relates to the tire industry.

Plant closures represent a clear and pressing challenge which go beyond the obvious social and economic

consequences of job loss. Plant closures are symptomatic of a general restructuring of many industry sectors in North America and Europe. What is most unfortunate and tends to compound the dislocation associated with this restructuring is a general lack of long-term planning and coordination between government, business, labour and other social partners, such as educators. These social partners require a forum in which to discuss, plan and, eventually, develop long-term economic strategies based on an educated consensus.

Too often confrontation, rather than cooperation, is the rule. This Committee hearing can be a positive step towards developing ideas in support of a badly needed consensus. Goodyear is prepared to participate now, and in the future, in this effort.

Goodyear's 69-year-old Toronto tire plant has fallen victim to today's highly competitive global business environment. And if you want to know who we compete with, simply drive to different tire dealers and read the signs. Off-shore brand names like Bridgestone, Pirelli, Yokohama, Toyo, and Continental are prominently displayed.

Today, the traditional North American tire makers compete globally for domestic market share. Many off-shore manufacturers, mainly Asian producers, have one tremendous advantage - they operate from within economic/business environments where all social partners have input into strategic marketing and production decisions.

North American tire makers are not competing against specific companies. We are competing with entire country and economic systems devoted to expanded international market share. This imbalance threatens the future of North American manufacturing.

Fortunately, some progress has been made. The formation of the Premier's Council to develop a strategic plan for the Ontario economy, for example, is, we feel, a very positive step. The Council, which is made up of senior representatives of business, labour and government, is representative of the cooperative approach which we feel is required.

Perhaps Ontario, through this Council, should consider directing meaningful revenues and energies towards the formation of an economic strategy to put the Ontario manufacturing sector in the forefront of the global business environment.

Perhaps, in the event of inevitable plant closures, more emphasis could be placed on worker retraining, so they can qualify for positions in competitive industries.

These, of course, are obvious suggestions that have been raised before. The point is we must accelerate the cooperative process with specific action. We need an economic plan and a consensus to implement it.

The decision to close Goodyear's Toronto tire plant was a difficult one, as are all plant closings. The timing of the decision was decided for us by external events. It was clear to management at Goodyear Canada, as well as at world headquarters in Akron, Ohio, that we had little choice at the time. The plant closing was inevitable. The facts were evident to all industry observers. Those facts are that a combination of technology and energy prices led to severe over-capacity in the world-wide tire industry. Coupled with the rising competitiveness of Asian producers, this created an especially severe problem in North America.

The simultaneous introduction of the radial tire in the early seventies and a surge in petroleum prices - which, of course, included lower highway speeds and lighter vehicles - led to longer lasting tires. Demand in North America slowed with the saturation of vehicles per family and dramatically reduced population growth. We simply did not need as many tires per year as we used to.

Moreover, technology flowed to Japan and, more recently, to Korea, where weak currencies and low labour costs created such great cost advantages that freight and tariff barriers were no longer of significance. Off-shore producers captured 16 per cent of the replacement market during 1986 in Canada.

Meanwhile, Goodyear modernized the Toronto plant, installing radial technology, and expanded newer plants, such as Valleyfield, Quebec. Unfortunately, nothing could overcome the inefficiencies of a multiple-storey plant which had begun tire production in 1917. Even the floors were unable to hold tire building equipment in the vibration-free environment required to meet the specifications of the modern radial tires, with the result that new state-of-the-art radial manufacturing equipment cannot really be installed in that type of a facility.

Goodyear attempted to save the Toronto plant for many years. Since 1980, when Goodyear introduced radial technology to this plant, we have invested \$32-million in equipment and building modifications. We introduced six-and-two-thirds day schedules in 1983 that created over 400 new jobs at that plant. This modernization project involved a redesigned production flow layout, installation of advanced production equipment, aggressive sales programs, exchanges of tire lines with other tire plants in Valleyfield and Medicine Hat, and many numerous engineering studies.

As this substantial effort to save the plant was implemented, newer plants; such as in Los Angeles, Scotland, Sweden, Jackson, Michigan, and Akron, Ohio were shut down. Toronto was the company's oldest surviving tire plant. Still, Goodyear hung on, looking for methods to make an old plant competitive.

As the eighties progressed, the plant faced ever-escalating quality and cost demands. The standards of cost-competitive performance continually escalated. Radial quality specifications have, for example, tightened 30 to 50 per cent in the last several years. A further 10 per cent tightening of the specifications is expected by the end of this year. The plant's future outlook had become one of ever-decreasing options. With current production equipment, waste level would rise dramatically as specifications become tougher to meet.

Then, an event occurred which removed any possibility of saving this plant, or a number of other younger plants - Goodyear was attacked by a raider. The luxury of long-term outlook was no longer possible. The raider had a notorious track record of hostile takeovers and subsequent dismemberment and dissolution of companies.

We literally fought for our life. Restructuring of the corporation included the closing of non-competitive plant facilities; such as in Cumberland, Maryland and Windsor, Vermont, and, of course, Toronto was only one of the unpleasant decisions we were forced to make.

In the face of this hostile takeover, Goodyear Canada was, regrettably, unable to engage in formal discussions, as it would have preferred, with provincial and federal governments on the subject of the Toronto plant. A successful defense against a hostile raider mandated a strategy based on no public discussion about the elements of this strategy prior to its execution.

In order to keep control in responsible hands, Goodyear announced a massive stock repurchase. To finance the purchase of stock and refinance credit lines, in light of the resulting debt structure, Goodyear is borrowing U.S. \$4-billion. In the next years, we face stringent debt service requirements. All operations world-wide must now focus on short-term cashflow - unless we meet the debt service, there is no long-term.

Goodyear will meet its obligations. Not only that, we will meet them while remaining the premier rubber company in the world. We have a technology lead and market position which will allow us to cut back on discretionary programs without losing that lead. However, we are forced to make severe personnel reductions in order to assure our long-term survival.

The closure of the Toronto plant in no way means that Goodyear Canada will be diminished as Canada's leading tire and rubber company. The future for our 4,000 remaining employees is bright. The closing of our Toronto plant, as painful as it is, was essential to the future well-being of our remaining employees.

Beyond Goodyear Canada's pension and severance programs, committees have been established to help our employees at the Toronto plant. These committees are made up of representatives of bargaining and non-bargaining personnel to coordinate and assist employee outplacement. The committees were established under the auspices of Employment and Immigration Canada, Industrial Service Division. Each committee includes representatives of the Federal Employment and Immigration Department and is chaired by outside consultants selected by the committee members. The objective of the committees is to assist employees affected by the closure.

Goodyear is committed to helping our people in the following areas: employment counselling, financial planning assistance, advice on resume preparation, interview training, skills bank data to potential employees in job search. A questionnaire has been prepared and will soon be issued to all employees to obtain an accurate indication of individual needs.

Goodyear Canada, over the past 76 years in Ontario, has earned the reputation of a good corporate citizen and a caring employer. We now face the demanding new realities of technological change in a highly competitive environment of world competition.

In retrospect, Goodyear underestimated the speed with which global competition would overtake the Toronto plant when it decided to introduce radial capacity to that facility. Our efforts would have been better directed towards a new Ontario plant. However, as they say, hindsight is 20-20. Once committed, we tried everything to make the plant competitive. Unfortunately, time ran out. We are adapting to this new reality as best we can.

Goodyear remains committed to long-term growth. Goodyear regards Ontario as having an excellent business climate for building an internationally competitive tire manufacturing operation. Working together, I am convinced we can see the realization of that commitment to growth and to Ontario and Canada.

Thank you.

The Chairman: Thank you, Mr. Buzby.

There are several members who have indicated an interest in having a word with you.

Mr. Poirier.

Mr. Poirier: Thank you, Mr. Chairman.

It is interesting that you described it as a hostile raider. It was rather interesting that employees, some of the employees, would end up losing their jobs because of circumstances, in part, due to the doings or not doings of that hostile raider.

I would like you to elaborate, if possible, for us to understand better those circumstances where somebody from Europe decides to takeover Goodyear and the end effect is that so many hundreds of people in Toronto end up losing their jobs. Where does the decision between the American parent company and Goodyear Canada pertaining to the opportunity or lack of opportunity for the Toronto plant come in all this?

Mr. Buzby: It comes about in the sense that the legal structure to prevent this type of hostile takeover is not there. Because these individuals, first of all, when they take over, not only ours, but any company, they are not there to be benign employers. What they do is, they go after the cash out of the pension funds, they cut salaries,, they cut hourly people; they cut everybody. That is what they are in there for, and the record will show it.

The decision comes in the fact that, obviously, you have to get your share value back up in the market and, in the decision process, in the restructuring, you have to buy your stock back - that is part of the program; what you have to do to get the value up. In order to do this, you have, obviously, to sell off many of your assets; you have to cut back expenses and reduce costs in order to get, in essence, your cost down, make yourself more competitive and in order to make more profit, which drives, of course, the stock value up.

Our decision process comes in the sense of, as this was unfolding -- obviously, in the first couple of weeks and so on, we weren't aware of who was doing what to us. We just knew that somebody was working over our stock; as they say in the market place, "our stock was on play." As things evolved, we recognized what was happening; that the corporate raider was here, what his demands were and what we had to do in order to get rid of him - either he would have done it for us or we would do it on our own, one way or the other.

So the process came in as we recognized - and, of course, it was nothing new - that our high-cost facility in

Canada, our high-cost facility in North America, was the Toronto plant. That was nothing new; we have known that for some time. And right along with it, the other high-cost facility was the Windsor, Vermont plant and the plant in Cumberland, Maryland. So, these are obvious targets for cost reductions, expense reductions, which allows other facilities to be able to continue; otherwise we would pull them all down.

Because long-term planning suddenly disappeared - because you are struggling for your everyday existence - you have to go out and take a look at those situations, which, in the case of the Toronto plant was there for sometime before. What they did was, they triggered the mechanism that would have happened sooner or later, that aspect of it.

So, our contribution, with our Board of Directors, our people, to the restructuring was not only the reduction and elimination of the very high cost of plant, but the voluntary reduction of personnel through this type of a program that we had on the early retirement aspect of it, which reduced our salaried personnel by 421 people. That, plus reductions in expenses, cutbacks in advertising, capital programs; everything was cut back. And, of course, the visible one, naturally, was the Toronto plant because it is, obviously, the biggest and where the most people are involved. But there were many other parts that were reduced on that aspect of it.

Mr. Poirier: As you mentioned yourself, in retrospect, if you had to start over again, you probably would have built a new Ontario plant?

Mr. Buzby: You are right. And, of course, we had been having dialogue with our parent as far back as over a year for a new facility in Toronto, or in Ontario. Unfortunately, at that time, either I was not a good enough salesman or we did not have the money or there were other complications that did not allow it to take place. We had been having this dialogue for sometime. The thing that the takeover did, it just triggered the factor that any further long-term planning that we were looking at had to go immediately because the market did not give us that amount of time.

Mr. Poirier: One last question, Mr. Chairman.

You started off your statement by saying that what you would want to see in the long term is a much more active cooperation between government and industry pertaining to this.

Mr. Buzby: Right.

Mr. Poirier: Considering what has happened - all the reasons you gave for what you are faced with right now -

what kind of active recommendations would you make to government?

Mr. Buzby: Well, let's put it on the basis, as I mentioned, we no longer live just in Canada; we live in the world. Whether we like it or not, those are the facts of life, at least in terms of business and in terms of economics and the rest of it. So we are competing against, at least in business, against many industries in countries that have a planned economy.

I am not recommending that we plan everything, because that it is a very difficult thing to do, but there certainly should be forums where, as I say, the social partners should sit down and discuss and say: Where does Canada want to go? Where do we want to be five, ten, years from now?

And, obviously, from that flows, Where does the province want to go? Where do the various components of business want to go?

We have to develop the dialogue. I realize, in the past, when I have brought this up, others have said, "Well, you people in business always said you do not want government in your business." I say, "Well, I pay them 50 per cent of my profit, so they are already in my business; now, I would like a little suggestion -- a little dialogue for this."

If we are going to compete against countries - and that is what we are competing against - there is not any single enterprise that is big enough in North America, on its own, that can compete with Japan or Korea or Taiwan or China, or all the rest of them that are coming along - right along behind the Japanese, the Koreans, Indonesians and the Mainland Chinese and India, and all the rest of them - because this is where the action is - in North America. So we need this type of dialogue for the future.

Mr. Poirier: This dialogue according to you would lead to what, for example? Or do you have any suggestions?

Mr. Buzby: It would lead to strategic planning, direction, support on what sort of things the business community should expand and develop to make them competitive. What should education do in relation to preparing our people for the future? What types of jobs should they prepare for? The financial community, what contributions do they play in this?

It is a partnership arrangement that we have here. And whether we like it or not if we do not get our act together the others are going to "take our tweeds off", as they say. And that is as simply as you can see it.

They target sectors of business all the way through. Nothing gets done in Japan and Korea, in any of those other countries, by mere chance. It is orchestrated, it is organized. And I am not saying that their way is doing it wrong; you might say that our way of letting them do it to us is wrong.

So I think we have to get our act together and decide what we want to do about it. If the decision is not to do something, well, then, okay, if that is the final decision, and then we all kind of try and struggle on our own, but I don't think that is a very good way to approach it.

Mr. Poirier: Thank you.

The Chairman: Mr. Mackenzie.

Mr. Mackenzie: Mr. Buzby, you ought to be careful with the line of answers you were giving us in that or you will find yourselves being accused of being in bed with some of the socialists for planning in the economy.

Mr. Buzby: Well, whatever makes up part of the social fabric, we have to have discussion.

Mr. Mackenzie: I was interested in your reaction about the hostile takeover bid. I take it that you would not have too much disagreement with my leader who has called it, "cowboy capitalism in the House", the takeover battles that we have going on today which do not seem to be very productive in most cases?

Mr. Buzby: I agree.

Mr. Mackenzie: You may be closer than you think.

The opening remarks did interest me when you talked about a total lack of any direction for industrial strategy or planning in this country.

We just got through a set of free trade hearings and the one thing that caught my attention, and I think almost everybody's in the Committee, was that it did not matter what side of the issue you were on, pro or anti; almost a universal complaint, whether it was from industrialists or economists, was that we did not have any real industrial strategy in this country.

And I have some difficulty equating that with what is also a very popular business approach. I am thinking specifically of the McDonald Commission Report and his endorsement of free trade when he stated, if you will recall, having read any part of the report, that we should take free trade as a leap of faith because the alternative of planned economy was much too horrible to contemplate.

I am just wondering if one of the real problems is a real industrial strategy and some planning in this country. What kind of feeling there is in the business community and in the major companies like yours when we have an awful lot of people saying this is one of the shortcomings in Canada and we also have some pretty influential figures saying that this is the most horrible thing that could happen to us?

Mr. Buzby: Mr. Mackenzie, I have not read his report, but from your question I would say that, of course, yes, there is a difference between a true planned economy - at least my experience in those countries - and one that is directed strategically, and one that simply has none whatsoever. And I suppose we are probably in the third category.

From our point of view free trade, freer trade, because that is really what it comes down to in some degree or another, probably is going to be a reality of life in one form or another. After all, the two nations are the largest trading partners in the world and we certainly want to keep that going because we both benefited from that aspect of it.

And in the lack of some dialogue, what happens is that if both partners fall out of bed and then each one starts doing his own thing -- and as you may or may not have noticed, sometimes in the U.S. Congress when they get pressed to do things in a hurry they usually do the wrong thing, especially when it comes to our side of it, Canada.

So the better planning we can do on both sides of the border in dialogue and in trying to make these things happen I think the better off we will be.

Mr. Mackenzie: I think, though, that where I have some difficulty with it, I was not trying to get us sidetracked, it was just that the comments about not having an industrial strategy came from people on both sides of that question and the McDonald argument seemed to be, let the market place handle things.

And it strikes me that just from your own comments we do not have a true market place situation when you have companies, or countries rather, that have done the planning and have set their sights on certain targets, and have got some kind of a joint effort that takes a look at all of the components, people as well, that is not very much of a market place--

Mr. Buzby: I agree it is not a free market - not at least the way they are playing it. It is not a level playing field.

Mr. Mackenzie: Do you see local content legislation as too protectionist, as one of the measures that might be

involved in--

Mr. Buzby: I do not, no. I think it is a good idea.

Mr. Mackenzie: So--

Mr. Buzby: If you want to participate in this market why not invest in the market.

Mr. Mackenzie: One of the things that also bothers me a little bit is - and I think you have answered some of it when you say hindsight is the real answer - but you talk about the new plants that you have shut down; you list a number of companies, Scotland, I think one of them.

Yesterday in looking at some of the background material on Goodyear I raised the question of the \$500,000 grant from Ontario towards modernization of your plant and at the time the information we had was that it was to finance a 17-million conversion to radial tire production in your plant. You have talked about actually spending some \$32-millions in that plant.

Mr. Buzby: That's correct.

Mr. Kackenzie: One of the Deputy Ministers or Assistants that was before us indicated that one of the problems that they saw was that you were still basically Bias tire plant. I thought that that modernization was radial...

Mr. Buzby: Yes. Our capacity in our plant is approximately about 16,000 tire units, we call it, of which 10,500 are radial which is modern technology. There are another about 2,500 to 3,000 what they call "convenience spares" which are the little tires that go in the backs, in the booths of the cars, and the balance is 2,500 tires are Bias tires.

Mr. Mackenzie: At the same time as this money was going in - and obviously you have indicated that you have put in more money than we have here in the figures - I read to the Deputy Minister a piece out of your 1985 annual report which simply said:

"Goodyear Tire production facilities around the world were coordinated as part of a significant reorganization with the emergence of Goodyear Canada as a world class producer of tires within the Goodyear Global Corporation."

That comment was, as I understand it, in your '85 annual statement?

Mr. Buzby: That is right.

Mr. Mackenzie: You are telling us that the changes have taken place since 1985?

Mr. Buzby: It is helping us. We have had, obviously, an awful lot of effort in there since '85. Production flow; we have put a great deal of time and effort in improving the total aspect. The part that you have to remember is that it is not just a single product in the plant, it is the entire plant cost.

You see the radial side of it, we have a million three-hundred-thousand square feet, I believe it is, in the total, whole facility of which, of course, we pay taxes, heat and light, and all the rest of it, insurance and so on. And the radial side only uses about five-hundred-thousand of it, so it is carrying the load of all the rest of the plant.

Mr. Mackenzie: In a company of your size, what kind of advanced time frame do you have in terms of your planning? What are you planning ahead, one, two, three years, five years?

Mr. Buzby: Generally three to five years--

Mr. Mackenzie: Three to five years.

Mr. Buzby: --programs.

Mr. Mackenzie So, in that period of time a decision could not have been made to - instead of updating what is admittedly an old plant, and some structural difficulties, the high floors and so on - given that new plants were obviously built and shut down, not necessarily in that time frame, and that kind of money was put into this plant, your planning would not have been far enough ahead to make the decision that maybe this whole plant needed to be a new one rather than to continue to update such an old facility?

Mr. Buzby: As I said, in April of '86 I did not do a very good selling job on a new facility, although we did apply for a new facility corporate-wise at that time and again in September of '86.

So, it reflected in the planning, but the execution - from financial aspects and other aspects that were involved - just did not permit us at that time. Of course, had we known that Goldsmith was in the wings somewhere maybe we would have reacted a little differently, I don't know.

Mr. Mackenzie: How much, in terms of the final decision to shut the plant, was the money that you had to pay back in the share redemption as a result of the takeover bid?

Mr. Buzby: At that time it was a very important one, probably 85 per cent. But, as I say, the facility with the options on its life span were limited. So if it did not happen in November, it might have happened in April of this year, it might have happened in September.

Mr. Mackenzie: Thirty-some million is not peanuts, and you put it into that particular plant, and yet as much as eighty-five per cent of the responsibility for that closing down at one stage may have been as a result of the takeover deal, which is a pretty sad commentary on what we are paying for some of the corporate takeovers.

One last question if I can, Mr. Chairman.

If I can ask, what do you see, this is what this Committee is charged with more than anything else, is specifically legislation to protect workers.

Mr. Buzby: Yes.

Mr. Mackenzie: I grant you have got at least a partially different perspective in terms of the company and the decisions that you are making at the corporation level.

Mr. Buzby: I have 4,000 of them.

Mr. Mackenzie: Well, that's--

Mr. Buzby: Including me.

Mr. Mackenzie: That is there, but in terms of the workers who may not have some of the connections you may even have in the plant - and I know a bit about older workers and their problems, I am dealing almost weekly still with people from Allen and Connie Bass and some of the plants in my constituency because they were all in the east end, and heavily located there, much too large a number. And to this day they do not have jobs and have a number of other problems.

I am just wondering what you see as the bottom line in the way of an obligation to the workers in the plant? What do you think workers should be able to expect from a company that is closing, whatever the rationalization, when they are out of a job and many, many of them are older workers?

Mr. Buzby: Well, of course, we have the severance programs, we have the pension programs, and we have the other aspect which I spoke about. But I think we, instead of focusing on that effect of the plant closures, we should focus on what I am addressing, more on the cause of plant closures, which is a system which is a lot broader than we are addressing right here, today, obviously.

Mr. Mackenzie: We are looking at what happens to these workers who almost invariably are left holding the bag in many of the plant closures that I have been involved in.

Mr. Buzby: Of course. Then this again is where the government is in place to take its position in that aspect of it through combinations, maybe you call it retraining. There are jobs - fortunately a market like the greater Metropolitan Toronto area, there are thousands of jobs in comparison to a little place like Cumberland, Maryland, which is a city of only 22,000 and we laid off 11,000 bargaining employees. It is a much tougher in a situation.

Mr. Mackenzie: So, you are saying that once it comes to the closing of the plant and the decision is made, the corporate decision, whatever the reason, justified or otherwise, that at that point in time when it comes to the workers themselves it is a role that the government pretty well has to decide.

Mr. Buzby: Aside from what we have already programmed and planned in.

Mr. Mackenzie: So then you would have no real difficulty, other than your company might not like some of the costs, if the government said, "What we are doing now is not enough for workers in a plant closure." And there is more responsibility to them on the part of their employers for maybe ten, twenty, or thirty, or forty years.

Mr. Buzby: Of course the question always is what is enough and what is not? And again, like all of these things it is a matter of what you plan for.

Mr. Mackenzie: But what you are telling us basically is that the government has got to make those decisions, when I tell you that the focus of these hearings right now, as much as we might like to look at a broader economic strategy, is what we do for workers in a plant shut down situation?

Mr. Buzby: I say that in a dialogue with all of the social partners for the future we make those decisions together. Right now, talking about the effects, maybe that is the only option you have. But again you have to keep addressing the future because of what has happened in the past.

So, right at the moment and probably the only one I can see is the government, plus what we can do at the moment to help on this. But to avoid this for the future - and I think that is what you are addressing - is where the dialogue has to come so that thirty-five years from now the problem has been solved.

Mr. Mackenzie: You have no difficulty then also with provisions that there has to be, or that some would argue, that there has to be more notice than is currently required in law or that there has to be some form of a justification procedure?

Mr. Buzby: Given the right circumstances, the right dialogue to do this, if it is all planned ahead of time, I don't have any problem with that. Under our circumstances we did not have any opportunity to do that.

The Chairman: There are about seven people who want a supplementary so I think we just better go around the table.

Thank you, Mr. Mackenzie.

Mr. Buzby, the Committee was charged with the responsibility of reviewing a number of plant closures with a specific reference to Goodyear and to other places in Northern Ontario. Because we only have three weeks, the Committee decided among itself to look into recommendations that we would make to government as to how to best ameliorate the problem once it confronts us--

Mr. Buzby: Right.

The Chairman: --confronts the Province of Ontario and that is why you will get the kind of questions you are getting about what should be done once it is a fact, once it is a fait accompli.

Mr. Gillies.

Mr. Gillies: My first question, Mr. Buzby, really follows on the line of question by Mr. Mackenzie.

I have seen a quote from the Minister of Labour indicating that the severance provisions you have in place for your employees would be somewhat better than those required by statute.

I wonder if you could give us a brief description of what your employees will be walking away with as of a plant closure time?

Mr. Buzby: If you would permit, Mr. Gillies, I would like to have Allen Webb go through that, that is his speciality.

Mr. Webb: Presently, right now, beyond the statute of the law, presently all our employees with less than five years of service will be given one week severance pay for every year of service. In addition to that we have also got our pension program in place where people will be getting

with their severance a pension as well, or a basic pension, or a unredused pension, depending on where they fall within that provision.

We also have our own severance program which, and again this is hard to get into because each individual, depending on his services and their earnings over the years, it could end up being higher than what the statute calls for because it is on a percentage basis.

We also have a provision in there for a closure in your contract of a 25-year provision for an unredused pension for people who retire or retirement with thirty years service.

Mr. Gillies: Is your pension plan a contributory plan or...

Mr. Webb: Our hourly people?

Mr. Gillies: Yes.

Mr. Webb: It is non-contributory. So, we are also going to give benefits to our employees who would not usually qualify for pension purposes and obviously benefits are continued for a pensioner. We will make sure that all employees get six months' benefits paid beyond their every day employment.

Mr. Gillies: So, that would be for those whose pension had invested--

Mr. Webb: That's correct

Mr. Gillies: Do you have five years vested in the plant?

Mr. Webb: Ten years.

Mr. Gillies: All right.

Mr. Buzby, I wanted to ask also partly about the role of this Committee and what they are about.

At the time of the announcement back in November the Industry Minister Mr. O'Neil indicated that he thought your company should be required to open its books before this Committee at such time as this matter was being reviewed. I wonder if Mr. O'Neil had expressed that opinion to you at the time and what your reaction was, and indeed, what your reaction is to the suggestion today?

Mr. Buzby: He did ask me that a number of times in various discussions and I explained to him that we do not close obviously profitable operations. I mean, that is a

normal law of busniess, at least in your busniess. And that the Toronto plant is, the way we measure it, a non-profitable plant. Our factories for tire manufacturing do not have specific, what we call POLs, they have cost performance against other plants. And that specific plant of course in relation to measurements against our other plants is one of our highest cost conversion plants.

And so, if need be, yes, we could make those available on an index type basis or an actual type basis. Obviously, we prefer not to publish this in a public forum because of competitive situations, but for in camera, if need be, those numbers can certainly be made available.

Mr. Gillies: Okay. So if indeed such information is requested by the Committee you would prefer it to be numbers broken out referring specifically to the operation of this plant as opposed to the operation of your other various operations?

Mr. Buzby: Yes.

Mr. Gillies: Okay. I wonder if you could tell us a bit about the government's offer of assistance. There were a number of meetings between yourselves and your officials, and Mr. O'Neil, Mr. Ryan, and their officials at the end of November and I believe subsequent to that, at which time the province made what we understand to be a general offer of assistance.

I wonder if you could give us a bit of detail as to what the province was suggesting and why you felt that it was not a viable proposal. It is all very well for the Minister to say he thinks the company should open their books before the Committee, but as of this moment we know very, very little actually about what the government's offer was to you.

Mr. Buzby: Well, after we discussed, of course, the problems behind the closing of the plant then of course the situation came as to what about the future. And to date, of course, we continue the dialogue with the government in the Province of Ontario and with the personnel in Ottawa because they recognize what the needs are, as we do.

To this day nobody in either level has said specifically these are the exact things we will do for you. They have certain basic overviews that they look at where they can help us. But the reason why is -- I said, gentlemen, until we can solve Goodyear, our economic problem of this enormous debt, even if you ran in here and said here, you know, is a suitcase full of money, I could not touch it and I could not use it because simply we have to get this debt burden off our back before we can make any commitments.

So to come in and make me any general offer really would be of very little value. But what they have certainly indicated at all levels is that they are willing to cooperate, to help out on infrastructure, to help out maybe in training, site locations, all the various things that they have available to them, when we find the situation changed in an economic mode that we are in a position to say, "Yes, we want to build a new plant in the Province of Ontario." So that is the dialogue that has been taking place and is taking place right.

Mr. Gillies: So, where we stand right now is, as you have indicated, and your spokesman indicated in November, is, in your opinion, no amount of provincial investment or assistance would make the existing plant viable?

Mr. Buzby: Make the existing plant, no.

Mr. Gillies: Right

Mr. Buzby: It would be a bad use of public funds.

Mr. Gillies: That you are at this time continuing negotiations in terms of a new facility if and when that becomes viable in terms of company financing?

Mr. Buzby: That's correct.

Mr. Gillies: And so the remaining question then before obviously you can undertake any definite steps in that regard, the next thing then is the resolution of the takeover bid by Sir James Goldsmith?

Mr. Buzby: That's correct.

Mr. Gillies: The amount of money involved in that - I am a little confused - my understanding was that Sir James had purchased \$625-million worth of your stock?

Mr. Buzby: About right, it totalled 11 per cent

Mr. Gillies: What proportion of that falls upon yourself and, I guess, the Canadian operation in terms of helping in the overall rebuff of this bid?

Mr. Buzby: Well, we all had to contribute to cost reduction, expense reduction, improving cash flow, all those other aspects of it. Our portion of it also comes in in relation to debt burden. We have to carry our share of the debt burden for the restructuring. The total 4-billion of course was not completely new; some of it was replacing some debt we already had. The additional debt that was taken was 2.6-billion.

Mr. Gillies: Okay. So, the company as a whole has got to come up with 2.6-billion?

Mr. Buzby: That's right.

Mr. Gillies: And you and your colleagues operating that part of the operation that you do are expected to come with up how much?

Mr. Buzby: With our portion of it.

Mr. Gillies: Are you willing to share with us what your portion would be or would you rather do that on an in camera basis?

Mr. Buzby: No, it would have to be an in camera basis. Primarily, most of it will have to come from selling off the current corporate assets such as our Areospace Division which has been sold, but hasn't been paid for, so of course you cannot pay the bankers yet. The sale of Litchfield Park which is where we had a large farm operation. The sale of Motorwheel Corporation which was a leverage buyout. And the main item still left to go is the oil and gas St. Laurent operation.

So, if we could sell all those off and collect money most of that would pay down the bulk of the 2.6-billion. So, what is left over then becomes the part that was really divided out among all the subsidiaries and all the different entities.

So, conceivably if we are able to find a buyer for St. Laurent, conceivably by the middle of the year, towards of end, we could have the major part of the debt burden off our back.

Mr. Gillies: Just in general terms, and again if you would rather not discuss this in public, I, at least, would understand. I cannot speak for anyone else.

The proportion of that total debt which you are being expected to cover in terms of your operations, would it be determined by the size of your operation as a proportion of the total? Would it be more determined by the profitability of your operation as compared to the profitability of the total operation? And I guess very generally, do you feel that you are being required to cover an appropriate proportion of that obligation?

Mr. Buzby: I would say we are covering our fair share, our proper share. And obviously the impact did not hit equally every place because ever facility did not close a factory. We happen to have the oldest in the world. If the Toronto plant happened to have been in Argentina we would

not be sitting here today.

It was unfortunate for us that that happened to Goodyear and it happened in Cumberland, Maryland, and in Windsor, Vermont. Every facility in which we operate in about 52 countries around the world, all had to contribute their share in debt restructuring, reduction of personnel expenses, and so on. For our impact we are carrying our fair share; we are not carrying anybody else's.

Mr. Gillies: So, the bottom line is that once this crunch has past you are still willing to work with both levels of government in terms of possible construction of a new facility?

Mr. Buzby: Very much so. That is what we want.

Mr. Gillies: Thank you Mr. Buzby.

Thank you, Mr. Chairman.

The Chairman: Thank you, Mr. Gillies.

Ms. Grier.

Ms. Grier: Thank you, Mr. Chairman.

Let me pick up on where Mr. Gillies left off if I may, Mr. Buzby. When you say that you are interested in new a facility, are you talking a new facility to serve the Southern Ontario market, somewhere in the Golden Horseshoe?

Mr. Buzby: To serve the world.

Ms. Grier: But a plant in Ontario?

Mr. Buzby: Yes, ma'am.

Ms. Grier: What does that mean in terms then of bridging the gap between the closure of the new Toronto one and the employees and people effected there, and the opening of any new facility? Do you have any sense of obligation to do that?

Mr. Buzby: Well, circumstances did not allow us for any bridging. As I have mentioned before we were trying before to look for new facilities. The situation right at the moment, as I have mention, depended on our solving our financial problems.

A new factory, even if we started today, will take a good two years to build, the type of facility we are talking about. So, even if we were to start tomorrow we are looking at the end of '88 into '89 before you have a new facility in Ontario.

Ms. Grier: And in order to build that new facility,

would you require or be looking for some assistant from the Federal and Provincial governments?

Mr. Buzby: Yes.

Ms. Grier: And do you feel it is reasonable to expect that kind of assistance if you have laid off 1,600 workers in New Toronto and yet have given no commitment to re-employ at least some of those new workers when you get a new plant opened?

Mr. Buzby: I am sorry I don't follow you.

Ms. Grier: Well, if you are going to be seeking assistance from the Federal and Provincial governments to open a new plant, would you be prepared then in exchange for that assistance to give some commitment that the people who are being dislocated in New Toronto on May the 31st will be re-employed when or if a new plant opened?

Mr. Buzby: When and if that new plant opens they can show up there and if they want to work under the circumstances of the plant, that plant workers decided what they want to do, certainly they can show up. There is no problem with that.

Ms. Grier: But you think it is entirely reasonable to go to both levels of government and say, "Help us open a new plant," without giving in return some commitment that the people who are going to be dislocated as a result of the closures are given some commitment of preference?

Mr. Buzby: It might be dialogue with the government, I don't know.

Ms. Grier: In the interim if there is no possibility of bridging that gap, and if I assume that a new plant could open, where do you see the production coming from to replace what is now taking place at New Toronto?

Mr. Buzby: Part of it we have expanded or are in the process of expanding our Valleyfield, Quebec plant. We are expanding our Medicine Hat plant. Those two facilities will take up a major share of that shortfall.

Ms. Grier: In talking earlier you made some comment about over capacity in the whole tire business.

Mr. Buzby: Yes.

Ms. Grier: And having made the changes to Valleyfield and Medicine Hat, what leads you to think that the market will be such that you can then put it all back into Ontario in two or three years? If it can be absorbed quite adequately in those two plants now what is to say that you

would need a new one?

Mr. Buzby: The growth of the vehicle manufacturers in Ontario. All the new plants that are coming in have programs planned, the growth of General Motors, Chrysler, Ford, Honda, all of them. All these plants are going to require additional products of our type.

Now those products, in our opinion, are products that will be very difficult to make in the facilities that are here in the Province of Ontario.

Ms. Grier: I.e. in the New Toronto plant?

Mr. Buzby: Either that one or the other ones that are left around because they are -- the specifications on these products are tightening up so much that, yes, you might be able to make them, but your waste may be 25, 30 per cent, and then your cost will go out of sight and you cannot afford it anymore.

Ms. Grier: Was none of that foreseen five years ago when you began the restructuring that led to the radial production at New Toronto and the 30-million investment?

Mr. Buzby: We did not anticipate the acceleration at which it took place. As I say, the specification was tightened over 50 per cent in that time. And, again, the whole technology in automotive industry has changed dramatically since the early 1980s and is going to accelerate that, so of course, as I say in hindsight we did not have that indication nor did we have it from the automotive companies.

Ms. Grier: What you have just said and what you said earlier about the Goldsmith takeover bid I find somewhat difficult to reconcile with your initial comments about the need for better economic planning, and why I entirely agree that there needs to be a planned economy in this province.

I do not think you can have a planned economy without some sharing of information and some adequate lead time in which to do the planning.

If, as you say, the closure of New Toronto all happened between -- the decision to do it, occurred in the space between the end of the Goldsmith takeover and the date of the announcement, there was no warning that that was going to happen; you didn't let any of us know during the Goldsmith takeover that the closure of New Toronto was contemplated. How can you reconcile that with your statements about the need for better planning?

Mr. Buzby: I still say, for the future, to avoid these types of things happening because of course in order to make the economy more competitive you have to have these

dialogues.

What has happened in past is -- you see, we are dealing with effect right now not the cause of it. Because you have to be globally competitive; in order to get there you have to have a lot of discussions, a lot of dialogue and strategy between the social members of this country. And obviously, as those dialogues have not been taking place, as far as we were concerned in the past - first of all, there was not really the forum to take place and second of all, I did not have the luxury at the time to do it.

Ms. Grier: When the Goldsmith takeover was defeated, your announcement of the success of it, and talked about the sale of St. Laurent, the Areospace and the Motorwheel unit, it didn't mention the need to close the New Toronto plant. And I am wondering why in that sort of congratulatory message to employees, "Thank you, we did it" there was no hint that all was not quite as rosey as might be expected.

Mr. Buzby: I cannot answer that. The facts are that you still had to do an awful lot of restructuring internally, reduction of expenses, reduction of cost, maybe they did not foresee how much the total cost was going to be at that time.

Ms. Grier: If the takeover had succeeded, do you think that the New Toronto plant would have been closed anyway?

Mr. Buzby: That one and many more.

Ms. Grier: Well, then in whose interests is it to do all of this restructuring and all of this debt repayment? I mean, whose benefited from Goodyear's efforts to fight back Goldsmith?

Mr. Buzby: Goldsmith and the stock arbitrators.

Ms. Grier: As far as the Ontario economy is concerned it is six of one and half a dozen of the other, it would not have matter which of you were in control, would it?

Mr. Buzby: You might feel that way, but I can assure you from the experience we were aware with, it would have been a lot tougher if Goldsmith had been in there because you would not have been dealing just with this individual plant, you would have had many more people out on the street as far as Goodyear was concerned because they cut back everything.

You have to remember they look at short-term cash impact. They want the cash and run. We, in this industry, have been accused in the past of lack of long-term planning. And when we do long-term planning then you have these - the fox comes in the henhouse and takes everything that you have

built on and takes away the ability to do any long-term planning. Obviously there is no legislation to prohibit that. Maybe that is part of the problem.

Ms. Grier: Well, what kind of legislation would prohibit that?

Mr. Buzby: I am not the expert on that point, there are plenty in the government to do that.

Ms. Grier: But do you think that any government that brought in that kind of legislation would have support from the corporate sector in implementing and passing it?

Mr. Buzby: I think so.

Ms. Grier: Can I turn finally if I may, Mr. Chairman, to the question of the benefits for the employees of New Toronto and you have talked a bit about that.

In the description that was given of what has been offered to the employees there and how much of what you offered is over and above what has been negotiated in the collective agreement, how have you enhanced what they were entitled to as a result of their contract?

Mr. Webb: You mean from the aspect of the one week which the Employment Standard Act provides for.

Ms. Grier: Well, is the offer you have made anything different than what was in the contract or--

Mr. Webb: Yes.

Ms. Grier: --what was in the Employment Standards?

Mr. Webb: Yes.

Ms. Grier: In what way?

Mr. Webb: In the way that presently every employee in the plant regardless of their service will get one week for every year of service as far as wages go in a benefit.

Also, the package our collective labour agreement provides for that people only entitled to SAB payments - who are people with two or four year service - entitled to layoff will get benefits for a specific period. We will give all employees benefits for the six month period.

In addition, the pension aspect of it we have negotiated a 25-year provision for closure in our contract.

Ms. Grier: And the kinds of committees that you have set up, and that I think Mr. Buzby alluded to, with

Employment Canada; is any assistance being given to the people, to the employees, as a result of that over and above what Manpower normally does? I mean, is there any suggestion of paying people while they are retrained after the closure?

Mr. Webb: Well, presently right now we are looking at what the peoples needs are. The survey that Mr. Buzby spoke about is presently going out to the employees. When that survey is returned to us it will give us a better indication of what needs the people are looking for.

And we certainly - from what Mr. Buzby described to you - we are going to go ahead and meet that commitment with our committee. The committee has had some good dialogue right now with the Unemployment Commission people and we are bringing in people to talk to us to try and assist in whatever manner we can.

Ms. Grier: Do you see Goodyear as being prepared to assist after the May the 31st in funding some of that training and counselling, and whatever is required? Or what role do you see the company playing?

Mr. Webb: I see us playing a role of continually trying to help wherever we can help, but I don't know what that commitment would be as far as a retraining program because I do not know what the needs are out there right now, we have to determine that.

Ms. Grier: Thank you, Mr. Chairman..

The Chairman: Thank you.

Do you want one on directly now, Mr. Mackenzie, or can you wait until...

Mr. Mackenzie: It deals with one of Ruth's, it is only very brief.

She raised with you the reopening or the rebuilding of another plant potentially in the Ontario area and you said that it was as a result of the growth in the auto industry. We have had before us on a couple of Committees both the CAW and the auto industry who have made a very strong case for problems with over-production as a result of the new plant; some problems with potential downturn in some of the existing plants.

As a matter of fact, General Motors may have been overstating it, but were ready to predict before one of our Committees in the last few weeks that American Motors would not survive and a number of other comments to make.

I am simply wondering if you enlarge the facilities in

a couple of plants to provide the market with the closing down of the plant here in Toronto, where is the growth if there is any truth to the comments we were getting from both the auto workers and the auto industry that they are going to be faced with an overproductive situation?

Mr. Buzby: That might be so, but all we can do as a supplier is provide for what they show individually and collectively as what their requirements will be, and the type of product. Because it is not just the quantity, it is the type of product that they are going to need for the 1990s. After all the '90s are here, we have to prepare for them.

And to make the type of product, as we see it, and that they indicate they are going to need, it is going to be very difficult to make them in any of the facilities I am aware of that are here in the Province of Ontario.

Mr. Mackenzie: So, it is just the kind of a product that these--

Mr. Buzby: Not only the quantity, but it is the type.

The Chairman: Thank you. Mr. McGuigan.

Mr. McGuigan: Thank you, Mr. Chairman.

Mr. Buzby, since the raid results not only in your case, but in other cases involving layoffs, can you help us understand what are the basic situations that invite, or allow, a raid to take place?

I am starting from the assumption that as a management team you are paying dividends to the stockholders and if you were not paying dividends to the stockholders they would of themself throw you out.

Mr. Buzby: Right.

Mr. McGuigan: Therefore there must be some relation between your stock values and the assets of the company. If you are not paying a reasonable return your own stockholders will throw you out.

What are the circumstances that allow these people to come in and bid up the stocks, in fact, actually buy your company -- buy your company? What are the circumstances that allow that?

Mr. Buzby: I will address specifically in our own case, but I feel it pretty much addresses most of the other companies that fit under the same circumstances. In our own case over the past, oh, at least, the last seven, eight years because the tire industry is one that is very

cyclical - especially from the vehicle manufacturing side of it - in order to try and level out that cyclicity of our business on a corporate planning basis we looked at diversifying. And obviously, diversifying in those areas that we can bring some management, some added value to bear.

Part of this, of course, has come through our Areospace operation, part of it through Motorwheel, and the most recent one was the acquisition of an oil and gas transmission line operation, St. Laurent, which we purchased in '83.

Now, obviously those types of operations have long-term payouts. They are not quick, immediate fixes otherwise obviously if they did you would have to pay a much higher price for them. So you might say that the long-term planning reflected in the value of our shares - our shares, I think, were on the market about \$32.00 U.S. at the time that the run-up started. The book value, I think, was around \$48.00, \$52.00 at that time.

And of course this is available for anybody looking so they say, "Well, if the book value is 52, but it is selling at 32 it is a bargain." Which it is. However, if you do not plan for the future you constantly liquidate the company ever 30 days and then, of course, there won't be any future.

So it leaves companies such as ourselves opened to these raiders to come in, while you are trying to develop a path for the future, which takes obvious investment, you have to prepare the field, you have to plant the seed and you have to harvest it. It all does not happen overnight. And during this time frame your stocks obviously do not reflect the future potential earnings and especially, whether it is right or wrong, the wall Street people and the stock people, they want to see their money back immediately, so they are not interested in long-term planning aspects of it.

So, we left ourselves in part open to that aspect, as did many others, but we feel that the right thing in the long run for our employees and for our shareholders is long-term planning and long-term decision making.

So, when you make those investments you leave yourselves open for those who want the "quick buck" on it so to speak. That is actually what happens.

Mr. McGuigan: So the only way those raiders, if I understand what you are saying, when those raiders come in the only thing they can really do is liquidate the company over a short period of time?

Mr. Buzby: That's correct.

Mr. McGuigan: They could not run the company, any less money than you, you have got labour contracts that cannot be broken, the supplier contracts cannot be broken, you have got taxes and all those things that cannot be broken. They cannot run the company any leaner and meaner, as the saying goes?

Mr. Buzby: They might for a short time and then liquidate it and sell off the parts. But they, because they have no long-term aspects, they look at everything and if it does not make an immediate profit they eliminate it.

Now, it might be a making profit potential in a month, three months, five months, six months, no interest, out it goes. And that is where the real differentiation comes. The parts really are worth more than the whole during these time frames.

It is like a body. Your liver in a liver bank is worth more than the total is, but you do not want to give that up unless you have to; and the heart, and the eyes, or any other part. This is what happens. They look at it in all these parts and they can dismember you and say, "You are worth a hundred thousand on the open market," but that does not make you very happy. And that is unfortunately the way it happens.

Mr. McGuigan: I wonder if there is any that can be done to prevent--

Mr. Buzby: This type of occurrence?

For one, well, obviously, there are many other specialists in this well beyond my ability, but... One, for instance, if you want to take over shares in a company in large quantities you should give notice in advance, what your plans are, why you are going to do it. Another one is, is simply you have a one-year period before you can vote your stock.

Obviously these people borrow a great deal of money to get in and get out quickly. So, if they couldn't do anything obviously they cannot pay the interest for the money they fund if they can't vote the stock. That is just one way one, one of many ways.

As I say, it is not a new phenomenon, it has accelerated in the past year. We feel it does not contribute anything to the economy, to the people, to anything, so we should find some way to avoid it happening.

Mr. McGuigan: Just the fact that over the last number of years a great many companies, besides yourselves, have diversified, has this laid the climate for this rating?

Mr. Buzby: I don't think so because they have taken on companies that have stayed with a core of business over the years. What they really look for is the differentiation between book value and current market value. And of course, all of that information is available on any company that is public.

Mr. McGuigan: They can buy your company cheaper than they could build a company of their own?

Mr. Buzby: Exactly, right. Really they are not looking for anything but money, that is the only interest they are after.

Mr. McGuigan: Unless the thing works from the other side, though. It was interesting to read the Globe and Mail, I think it was the Globe or the Star of one of those, they were talking about Conrad Black finally selling the last of the Dominion stores. This article was praising him or seemed to gloat over the fact that he came out of it smelling very well. And he sold the company for, in its parts, for something over \$300-million. Even though he had to pay back some of the pension plan funds, he still ended up with something like 317-million, I think it was. The inference was that he sold the company in parts for more than it was worth as a unit; apparently there can be inside rates and there can be outside rates.

Mr. Buzby: Yes. I am not familiar with the situation, it could be, I don't know.

Mr. McGuigan: The article would sort of leave that impression, that it was an inside rate resulting in the same thing--

Mr. Buzby: I can only assume that somebody purchased it. They must have known what they were doing. They must have seen some value in it, in whatever they were buying.

Mr. McGuigan: I mentioned it to help us understand.

The Chairman: Mr. Hennessey.

Mr. Hennessey: Mr. Buzby, I just noticed that when you mentioned -- you were saying that the government place should take its position on plant closure. You also say the role of the government in the plant closure.

It seems to me that most of the items that come before this legislature, it is when the firm is going down for the third time and they come to the government, and you know it is only by an act of God that the plant can be saved because the people who are running the plant know that there is not much chance for survival.

I would just like to ask you, do you think perhaps the government should change their methods and not wait until you come and say, "We are going down the third time." And people in the plant know that nothing really can save it because they know more about it than the elected people do. Because up in the House it is either a lumber or sawmill, or a tire plant, whatever it is that is going under and then it comes to the attention of the government.

And you seem to place a lot of pressure on the government and say that it is the role of the government to take some action when you are going down the third time and they may throw you a life preserver that has got a leak in it.

So, therefore, I cannot see that the role of this Committee is to try and find ways to save companies that are going down and do you think that perhaps the government should change their style instead of waiting until the third time, maybe to monitor at the beginning rather than at the end?

Mr. Buzby: Well, Mr. Hennessy, I say that the government's role, and that is not just the government but all members in society, that can get together should discuss and review these programs before it happens. We should worry about what the cause of these things are and prepare for the future.

Right now it's happened. The effect is that we have had to lay off X number of people. And at this point there is nothing we can do beyond what we already have programmed and are working on. That is where the role of the government I see in this, today's current circumstances; I don't know if it is the government or somebody else, I don't know.

Mr. Hennessy: But isn't it possible in that role that if the company was to let it be known publicly that they are looking to the government for assistance, that their stocks, their shares, the price would go down in the market, that there would be a run on the stock? I am saying there has to be another method rather than when it is almost impossible and then say, well, we want the government to help us out.

Mr. Buzby: Well, of course when we are talking about the government we are talking about the future not the past. The plant is closing and that is all we can do about it. And as far as the future, this is where we are looking for dialogue with the governments of the Province of Ontario and Ottawa. First of all, the needs, the requirements, the type of operation, for support from both parties. That is where the dialogue comes in.

Mr. Hennessy: You mean to say if we get together at

the beginning in your planning stages?

Mr. Buzby: I agree, definitely.

Mr. Hennessy: That is what I agree to, too. I think it is better to get in at the beginning rather than at the end.

Mr. Buzby: Not only in ours but, as I say, where do we want to go as a country? We cannot plan everything, I am not talking about planning everything, but what's the direction we want to be? Where do we want to be in 1995?

Mr. Hennessy: Both sides of the government should be involved at the beginning--

Mr. Buzby: Exactly.

Mr. Hennessy: --not when it is at the end.

Mr. Buzby: The end is too late.

Mr. Hennessy: That is right, I agree with that.

Mr. Buzby: And--

Mr. Hennessy: The workers suffer, the workers get laid off.

Mr. Buzby: And all I am saying is that is what we are doing here today so we were not sitting here in 1995 and arguing the same situation. And unfortunately our friends south of the border have not learned anything either, because they have not planned anything either. They are still arm-wrestling each other constantly and it's ridiculous.

So, I say the ones who are taking over the marketplace are those who have an orchestrated, organized attack on the marketplace. I am not advocating an absolute planned economy because it is very difficult, but at least a directive. Where do we want to go? Where do we want to be? Let's try and get there with our strength and our resources. That is all I am advocating.

Mr. Hennessy: Thank you.

The Chairman: Mr. Wildman.

Mr. Wildman: Just to follow that along a moment. I think the need for the kind of dialogue that you have been discussing among, as you refer to them, the various social partners -- certainly it was pointed out at the recent forum on the auto industry that we now have the North American auto manufacturers all screaming the blues because

of the new foreign plants, mainly Japanese and Korean plants that are being opened, and saying that unless these new plants are required to live by the same provisions of the Auto Pact that we are going to see fewer not more jobs in the auto industry, in three to five years in North America, and particularly in Canada.

I think the President of Chrysler Canada made a speech yesterday in which he blamed the auto industry for letting government do this to them. I think that was the way he put it.

So that obviously there has to be some kind of dialogue so that the government does not take action that is well-meaning, but in the long run that puts us in a more difficult situation than if the government had not in fact tried to encourage more investment.

But I am interested in your comments about what you understand to be the future of your industry in relation to those new auto investments. What you are saying is that there is going to be different type of product required and you did not think that the plants that are available now could produce those kinds of products for the 1990; is that correct?

Mr. Buzby: Economically.

Mr. Wildman: You said that there would be 30 to 40 per cent labour cost which would therefore be uneconomic?

Mr. Buzby: That is waste cost.

Mr. Wildman: Waste scrap?

Mr. Buzby: Yes, it might be--

Mr. Wildman: Oh, I see.

Mr. Buzby: You might be able to make them but you might have to scrap so many of them to get ten good ones, you might have to scrap...

Mr. Wildman: And you could not even see this with - that plants could be re-tooled with new technologies that would make it possible rather than having to scrap the plants?

Mr. Buzby: Well, not the multi-storey plants. It would be very difficult because the flow of the product, for instance, in a multi-storey plant like we have in Lakeshore, and some of our other members have in Kitchener and Hamilton and other locations of that type, the flow of product up and down is expensive. I mean, that simply takes cost versus, like a plant we have in Valleyfield, Quebec, where it is all

one floor and it just flows through evenly. So, even though you could make it, the infrastructure within the plant makes it extremely expensive to handle.

Mr. Wildman: I see. Are you contemplating the new facility as being more productive, not just because of it being one floor rather than multi-storey, but because of new technologies that would require a lower number of workers as well?

Mr. Buzby: The workers come along with the type of equipment that is required and if automation is part of that, well then that is part of what you might need to have. We would foresee that at least the type of plant we are looking at, we are looking at a work force at the outset of around a 1,000 people.

Mr. Wildman: What was the work force at the Lakeshore?

Mr. Buzby: Fifteen-hundred.

Mr. Wildman: Fifteen-hundred. So we are talking about five-hundred less initially anyway?

Mr. Buzby: Initially.

Mr. Wildman: Okay. As you have been told by the Chairman, the mandate of this Committee is to look at the possible recommendations for legislation with regard to the protection of workers in layoff and shut down situations. So I would like you, if you would, to respond or react to the comment that was made before the Committee yesterday. And I will just read it to you. It says:

"It is not likely Ontario's interest will be served by restrictive layoff provisions which costs are likely to effectively deter modernization or inhibit new or replacement investment in Ontario."

Do you think that "restrictive" layoff provisions or regulations would deter investment and modernization in your industry or inhibit new or replacement investment in your industry in Ontario?

Mr. Buzby: It would on the immediate aspect unless provided for by the individual either companies or individual industries. Like, in Europe they have obviously many different types of benefits to avoid -- not avoid it, but I mean to handle worker layoffs and so on.

But those are funded up front, both by the industry and by the government at whatever level. What we are trying to do is fund it after the fact and that is a very difficult thing to do.

Mr. Wildman: I understand what you are saying and what you were saying earlier, the need for planning.

Mr. Buzby: Exactly.

Mr. Wildman: Surely if regulations were passed along the lines, say, of West Germany, the regulations that they have with regard to layoffs and shut downs -- you just said obviously if there is an investment contemplated in that economy the planning is done up front. That is counted as part of your cost, and in terms of the profitability or potential profitability of a particular investment that is counted in.

Mr. Buzby: That is designed in.

Mr. Wildman: That is right. So, instead of talking about the past, what I am saying is that if this government were to develop layoff provisions, which would indeed be a cost to the company, do you think, dealing in the competitive North American market, that would deter investment in this province?

Mr. Buzby: It would on its own, in my opinion. The key is... Put it this way, if you ask, say, the industries in Ontario to provide for this as of, say, tomorrow and that adds a cost of, say, a dollar a product - whatever it might be - yet there is no form of recovering that same dollar from somebody who is not operating in the province of Ontario, and has his place a thousand, ten-thousand miles away, who's not worrying about that, if that cost is not built into his structure then they'll--

Mr. Wildman: So, that obviously has implications for the so-called "freer-trade" negotiations. What you are saying is that if you are competing with someone who is producing a similar product in South Carolina or wherever and they don't have that same cost, then there would have to be some sort of provision built in to--

Mr. Buzby: To offset that.

Mr. Wildman: --offset the fact that he has less cost in production because he doesn't have the same kind of obligations.

Mr. Buzby: For example, I remember dealing in a copper operation in Nevada, I believe it was, some years ago. At that time the cost of copper was about sixty-five cents U.S. per pound and they were selling it maybe seventy-two cents per pound, but of the sixty-five cents a pound thirty-two cents were taken up in environmental costs.

Now, the Cooper coming from Zaire had zero cents for environmental. Now, of course, we get the benefit as a population for those environmental costs, but it put the company out of business. So, that is what we talk about, a level playing field. If we want to maintain the standards of living that we have here then everybody should pay for it. Nobody should have a free ride and I'm talking of those that don't make the investments here, why should we give them a free ride, it's our market?

Mr. Wildman: I understand what you are saying, but I am finding it a little hard to fit with what you said earlier in answer to questions from my colleague, Mr. Mackenzie. You said earlier, I believe, that you believed that we were going to have to live in a freer trade situation, that that was coming anyway.

Mr. Buzby: That's right.

Mr. Wildman: So, are you then saying, is your argument that we cannot then in that kind of an atmosphere have provisions in this jurisdiction which add costs that do not apply in the jurisdictions of our trading partners?

Mr. Buzby: What I am saying is, in terms of freer trade, it is primarily duty factors between the countries; that is what will disappear more than anything else. What this province or what this country wants is a standard of living; I feel should be protected to the degree that you have to make those industries competitive against whoever you go against.

As I say, if environment is a big part of the cost then those who are coming into your market, if they are not helping pay for part of that, they should. I don't mean you can't have free trade or freer trade between them because fortunately the two partners have basically the same types of standards of living to protect. They are as concerned south of the border for the standard of living as they are up here.

Mr. Wildman: Okay, but if I use your other example, and I realize it is an extreme one, in the Cooper when you were competing with a company in Zaire that did not have the same environmental cost--

Mr. Buzby: Yes.

Mr. Wildman: --how on earth would you make the producer in Zaire help to pay for the environmental obligations in North America if there is no duty involved, if there is no tariff?

Mr. Buzby: Through the market place, through quotas, through other aspects of that type. One of the first things

you can do -- if you remember, the thing that North America has, it has a market. That is the one and only leverage at the moment we have. We have the market that everybody wants to play in.

Mr. Wildman: I see.

Mr. Buzby: If we just simply let everybody take it away none of us are going to be employed here five, ten years from now.

Mr. Wildman: But surely quotas would not be acceptable in a so-called comprehensive free trade agreement, that would be a non-tariff barrier?

Mr. Buzby: Let them open up their markets.

Mr. Wildman: Okay, I won't prolong this.

I just want to deal with a couple of possible proposals that might be raised in terms of protection of workers.

The Chairman: Before you do that Mr. Wildman. Do you have a very brief supplementary, Mr. McGuigan?

Mr. McGuigan: Yes, sir, thank you very much.

It is on the statement that Mr. Wildman read that was given to us by Patrick Lavalley, Industry, Trade and Technology.

"It is not likely that Ontario's interest will be served by restrictive layoff provisions whose costs are likely to effectively deter modernization or inhibit new or replacement investment."

I suggested to him yesterday really, as you suggested, that if those costs were up front there would not be as big an objection as he has stated here. He came back and said that a modern plant being built today is probably only being built for a life of five or six years and therefore, that up front would be a big cost over five or six years.

I am just wondering what your comments would be on the five or six years?

Mr. Buzby: I don't really know what he was referring to, if he was referring to maybe the technology...

Mr. McGuigan: No, no, he was referring to technology, I gathered that. Even so, would you agree that the radial equipment, for instance, that you are putting in, are you only figuring that lasting five or six years?

Mr. Buzby: Well, if it is radial-type of equipment I would--

Mr. McGuigan: It is radial, yes, it is.

Mr. Buzby: One thing you can be sure there can be change and there is no guarantee, based on the information we have from the customers that we will supply, and based on what they can see, we certainly expect our equipment to last longer than that. Like anything else it is a matter of fine tuning all the way through.

Our business is primarily more of an evolutionary change more than a revolutionary change. The revolution change came when the radial replaced the -- that was truly revolutionary, but basically, at least in our industry - now maybe in the computer business you can certainly obsolete everything you have there ahead of time, that is a little different. So I can only address from your industry, we certainly are not looking at five, six years that would be partially evidenced by the fact that we had 70 years out of the one plant.

Mr. Wildman: Just in the regard, can you explain why in your dealing with the debt your corporation decided to sell off a number of the companies that you had purchased to diversify, but decided to close some of the plants that have been producing your core product - your main business - you are closing them rather than trying to sell them and you are selling off the other...

Mr. Buzby: Well, if we could find a buyer that would be different.

Mr. Wildman: Did you put it on the market and say, "Are anybody interested?" Or did you just say, "No, there is not anybody going to buy this."

Mr. Buzby: We know the market too well. There simply aren't any buyers out there. And frankly, if somebody came along and said, "We'll take it on, say, a leveraged buy-out," I think it would be unfair to sell them an old building like that; they would go under. It is just, you know, you can't make it in a facility--

Mr. Wildman: Surely if somebody were buying it they would know the market, too?

Mr. Buzby: If they bought that plant they do not know the market, I can assure you that.

The Chairman: What if Goldsmith would have bought it?

Mr. Buzby: I would be happy to sell it to him, he is the only one I would sell it to.

Mr. Wildman: Okay, just in terms of possible proposals that might be made in protection of workers in layoff situations - keeping in mind that, unlike Mr. Lavalley, you said that if we could plan for this in advance, so it was not something that was imposed but something that new investors, or people who were purchasing or building new plants knew about it in the first place, and we would have to work it in terms of their cost - how would you react to a suggestion that if a plant were to shut down rather than lay off with the kind of severance provisions and-- or as well as severance provisions and pensions and benefit provisions that you have provided, the company should be required to help workers find new employment?

Mr. Buzby: Well, presently with our Committee that is one of the goals of the Committee, to try and help them find new employment.

Mr. Webb: Just to answer that, the committee will be going on for months after the closing date, still trying to place any employees that ask for assistance.

Mr. Wildman: Okay. In terms of helping them to find new employment and I am talking about not just seeking employment opportunities or possible job situations, but actually providing them grants and/or loans for relocation and perhaps training to qualify for those jobs.

Mr. Webb: That, we haven't considered.

Mr. Wildman: How about if there were government assistance for relocation and training, having the company required to match the funds provided by government for those kinds of things.

Mr. Buzby: Well, if it's provided for then it could be handled.

Mr. Wildman: Right.

What about the possibility - we had a situation in Northwest Ontario where a mine shut down. Stelco had operated that mine and there, unlike your situation, we were talking about a one industry town which meant, as I think you talked about, one of your plants in the United States with a similar kind of situation where it would be very difficult to find alternative employment unlike the Golden Horseshoe.

Stelco in that situation provided - what was it, Jack - \$2.4-million to assist the community, to help the community to adjust and to help workers in the municipalities. Do you think that that is a reasonable

thing if it were done not on a voluntary basis like Stelco but a requirement in a one industry town situation?

Mr. Buzby: I would think especially in a location like that, I would think that some type of provision should be made, planned in to begin with. So, if somebody else comes in that position and becomes the only player in town and recognizes the impact that takes place-- For instance, in Cumberland where we closed down the Kelly Springfield plant, which is the old plant we closed, the head office of that subsidiary was going to move somewhere else, and I think there were about three to four hundred people involved in the technical center and so on, and because of the tremendous impact on that little town the Governor of the State at that time came in and provided funds to build a new facility, a new office facility for them so they did not leave and he took over the old plant and everything else.

So, I guess he looked at it from that aspect of it, it is better retaining some of the jobs there and some of the earning capability. And of course that was something - I don't know where he got the funds from, but it I am sure it wasn't planned, it provided itself out at the moment.

Mr. Wildman: I think the Stelco grant to that municipality was the equivalent of what they would have been paying in taxes over two years if they continued to operate.

Mr. Buzby: I see.

Mr. Wildman: But it was done on a voluntary basis.

The Chairman: Mr. Poirier.

Mr. Poirier: Thank you, Mr. Chairman.

I was looking again this morning at your announcement yesterday that you will pumping \$6.1-million to renovate the forty year old building nearby and buy equipment to make polyethylene-- And the second part of the statement was, "The improvements mean at least two hectors of the 10.4 hector site will remain productive." What I would like to know is, I have a bit of a sketch of the plant, it's quite a size of 25.7 acres. That building nearby, which one is it we noticed there is one on Kipling that is somewhat similar; is that the one that is concerned.

Mr. Fleming: You have got a site plan of the of 25 acres?

Mr. Poirier: Well, no, no, just a sketch.

Mr. Fleming: It is in the northwest corner. It was not built in 1917. It actually faces on Birmingham Street.

Mr. Poirier: What would happen to the rest of your site including that building, the large one that you have a

plant on Kipling? What would be--

Mr. Fleming: Kipling isn't even in the discussion.

Mr. Poirier: Okay. What would happen to the people in there; is that being closed down?

Mr. Fleming: No, no.

Mr. Buzby: No, that is a distribution centre, it has no impact.

Mr. Poirier: Are you speaking of the tire plant?

Mr. Fleming: Yes, the tires.

Mr. Poirier: And you will keep that?

Mr. Fleming: Yes.

Mr. Poirier: I see. What about other parts of the site that you have, what is going to happen? What kind of plans do you have for that? Are any other people working on the site?

Mr. Buzby: Well, that is what we are looking at now, how do we dispose of the location? We have many people who are involved in looking at this and obviously a combination of many of the these and in consortium with the City of Etobicoke. That's what will happen.

Mr. Poirier: So that distribution site for the tires, you plan to keep?

Mr. Buzby: It stays, yes.

Mr. Poirier: And the jobs also?

Mr. Buzby: That's correct.

The Chairman: Thank you. Mr. Pierce.

Mr. Pierce: Thank you, Mr. Chairman.

Mr. Webb, you are the personnel manager, can you tell me in respect to the laid off workers, in the training programs that you are engaged with through your committees is there a method that you are addressing in moving faster in the training program so that when the people are actually laid off they can come out with qualifications that they would not normally have had in that short period of time?

Mr. Webb: Again--

Mr. Pierce: I guess, maybe I am talking more about

the trades people that are in the plant as opposed to the general labour person?

Mr. Webb: The trades people from the indications that I have been getting - and I have been getting numerous phone calls obviously from a lot of other manufacturers, etc. - the skilled tradesmen it would appear are going to have no problem finding employment.

Mr. Pierce: Okay. What about the ones that are in the apprenticeship program? Are you engaged in an apprenticeship program?

Mr. Webb: We don't have an apprenticeship program going, no.

Mr. Pierce: You do not have any apprenticeship program? So you would hire tradesmen when you are in operation, you hire tradesmen off the street?

Mr. Webb: We used to have an apprenticeship program and I do believe it went out in 1983. Do not hold me to that date, I did not cover the plant at that time.

Mr. Pierce: So, really then you do not have any millwrights or plumbers or electricians or trades people on an apprenticeship program at all?

Mr. Webb: No, we do not.

Mr. Pierce: Let me ask Mr. Busby, in a question that Mrs. Grear asked, and that is in respect to, if you were to consider building a new plant - and of course your schedule of building would take something beyond two years - what would happen if this Committee was to recommend that the government insisted that any efforts by companies that shut their operations down and then anticipated starting back up in the province would be required to, first of all -- their first obligation would be to their previous employees without any limit of time? Certainly in most collective agreements, and maybe you can bring me up to date on the collective agreement that exists in your plant, most collective agreements have a one or a two year recall clause in them. Do you know if there is a recall clause in your agreement?

Mr. Webb: There is a recall clause in our agreement and that is to the specific plan of that agreement. In other words, the New Toronto plant only.

Mr. Wildman: It is not portable?

Mr. Webb: It is not portable.

Mr. Pierce: Well, Mr. Buzby, may I ask you then the

question is: If this Committee was to recommend that any plants that shut down and reopened within the province within, and I guess you would have to put some time limits on it--

Mr. Webb: Certainly.

Mr. Pierce: --but that that employer would be required under the regulations to make every effort to recall the previous employees?

Mr. Buzby: I think that you would have to give the operations of that new facility those choices because then if -- say, if you built a plant fifty miles from here, what are the people that live in that environment going to say, "Well, how about us? Why don't you give us the same option you give somebody who is fifty miles away from us?" Is that an equitable thing?

That is an interesting aspect of it. Whether you should immediately have to employ those individuals, I would say if that individual wants to work within the framework of that operation, well then he or she should line up and have an opportunity to get the job. But the individuals that finally make that plant have to have that decision.

Mr. Pierce: But I guess the question that I am asking is: In recognizing your reasons for closing, and one of them of course is because of the state of the existing operation as well as other factors in respect to takeover and the recovery of your company, that the closure is not motivated by the fact that the employees are not satisfactory employees, but by other factors.

So that if in your restructuring over the next couple of years if you decided to build a plant, whether it was fifty miles away from the existing plant or five-hundred miles away from the existing plant, do you feel that the company has any obligation to the employees that were with you for 25, 30, 35 or 7 years? That they should have first right to employment with your company and then it would be at their discretion whether they are prepared to move to Ottawa or Sault St. Marie or Timbucktoo, if you build in Ontario?

Mr. Buzby: That is true. I do not think it has to be legislated because put it on this basis, we have an investment in them also--

Mr. Pierce: Yes.

Mr. Buzby: --five, ten, fifteen, twenty years and we obviously would not want to lose that. So if they show up and say, "Yes, we are willing to work wherever it might be under the circumstances that are required in that plant,"

fine, it would be logical for us to give them the opportunity because you have a skilled individual who already knows your business. So, I feel they would be certainly part of that pool.

Mr. Pierce: In a Committee which some of us here sat on, myself and Mr. Wildman, on single industry communities through the province, there was a recommendation that a Commissioner be established to assist industries and unions where plant closures were anticipated to try to bring the parties together in some form or other, whether it be the government, or the government of the municipalities, the company, the employers and the unions, to try to work out some form of keeping the companies in operation.

Can you tell me, in your situation would that have been of any help?

Mr. Buzby: It wouldn't have solved the problem really. The situation that we were in from the technical aspect of it, we could have had all the committees we wanted to in the last couple of months or years; it would not have solved the problem.

I think most of those are for the future. And you should have a continuous dialogue, ongoing.

Mr. Pierce: I guess the recommendation certainly coming from the Committee was not necessarily that the Commissioner would be able to solve all the problems and continue to keep the companies in operation but it built in a mechanism whereby maybe the severe blow of instant closure could be lessened in some degree and that the operation could be feathered out in such a way that everybody had a chance to adjust to what you had been anticipating for two years and now becomes a reality to somebody else in four, six months.

Mr. Buzby: I think it could have a benefit. I guess the one thing that most people have that are running the plant, concern themselves about - I mean, naturally aside from all the other aspects, as soon as you announce a closing or say, "I am going to close in a year's time," and giving everybody plenty of time, you lose too many people because you have other people that know a lot of the employees that you have and you will pick them off. So I guess that is why in part they are a little loath to publicly, anyhow, come out and say, "Well a year from now, or six months, or two years from now, I am going to have to close." Now, if there is a dialogue that is not, say, public from that aspect, you could plan for it, maybe that is a little different.

Mr. Pierce: Let me tell you just briefly about a short experience that I had and that was with two mining

companies that were both laying off or shutting down completely their operation and almost at the same time.

One company was prepared to give their employees a lot of notice, and in fact, was prepared to accept the fact that some employees may get a job prior to the final layoff date and they were prepared to give them their layoff date earlier so that they could move into that other field of employment.

The other company said, "Either you stay until the final day of your layoff or you disqualify yourself for the benefit package in respect to severance, earlier pension and so on."

I guess, in looking back at what happened between those two companies, the one that was more open with their employees and were more lenient in being able to adjust to the needs of the employees received, right up until the final day of the closure, much better production rates than the one that said, "Look, you either stay or you go and you go on your own."

Mr. Buzby: I would think so.

Mr. Pierce: Because the attitude that was built within the employees was that, "At least I have a chance here in order to build in an opportunity to get away from here."

The other one was going to lose everything so he was stuck there whether he produced or whether he didn't produce.

Mr. Buzby: Right.

Mr. Pierce: He was stuck until the final day of the layoff. The other question I have for you is: If an employee tomorrow in your plant finds a job, does he still qualify under your severance packages?

Mr. Fleming: No, he does not.

Mr. Pierce: So, we are in company number two situation or company number one situation that either you hang on, hang on until the end or you disqualify yourself from all the packages.

Well, I guess I could ask you about the fairness of that because these employees, once the gate is locked, have no opportunity then except to spend of their own time to go out and start looking for further employment.

Do you not think that it would be more fair to assume that - and I realize that you have a commitment to your

corporate shareholders to keep up the production until the final day of the closure - but what about the commitment to that employee who has been with you for 25 or 27 years and has a commitment to his family to provide a source of income for many years hence. Do you not feel that there is some obligation there that if an employee is successful in securing employment in another area that he does not disqualify himself from the packages. I mean, he has satisfied the qualifications of your severance package by being there for that number of years and it is the further impingement on his rights to require him to stay right until the last hour.

Mr. Fleming: I think, if I may address that. The question that you have posed we have wrestled with. I do not know how familiar you are with the tire industry, but it is a process, it is a line process, it is not a batch process.

Typically the lower seniority folks that work in that building are in the building process of a tire. Those folks, even with the rule that we have have the least to lose in the case of severance awards. These folks are one and two year service. The difficulty becomes, Mr. Pierce, that if we lose the centre of the line process, what are we going to do with the folks that are at either end of the process?

In our contract there is provision for supplementary employment benefits in the case of layoff. If we take on a massive lay-off, which could happen, that fund will be depleted in, I don't know, a very, very short time. So the penalty is going to be felt by the eleven hundred.

What in fact will happen - we are starting to lose folks now, the junior seniority folks - and we keep tightening the ranks, tightening and tightening and tightening the ranks. I guess, because people are very comfortable with a hard and fast rule, when we started off we said just as Mrs. Grier alluded to, that if you leave you get nothing. When April comes around or May then we can back off of that.

But it was our intention with all of the employees in that building to keep everybody employed for as much of that six months as we possibly could. We worked very closely with a gentleman - his name is Bill Clarkson - who has been through this as a representative of the Federal Employment and Immigration Branch. Basically it is his input, given through his experiences, that has lead us down the road that we are going.

It's interesting the phenomena that exists in building. This gentlemen, Mr. Clarkson, is telling us, the questionnaire that Mr. Buzby and Mr. Webb alluded to, that he

was anticipating only 20 to 25 per cent of the people will actually pick up on that service. And he is basing that on the experiences at McDonald Douglas, Ford, Dominion -- are three of the biggest ones.

So to sit here and say it is very cold and calculating that if you do not stay until May the 31st you get nothing, it is a true statement but there is another side to that question.

Mr. Pierce: I think that is true in any plant closure. There is an important element within the production line and certainly if you lost all those people at that crucial point - and you can't afford to lose a whole group of people in any production line because you stop production, whether it be in the manufacturing of tires or in the manufacturing of food goods or whether it be in the mining industry because there is a production line that has to be followed through.

It may be, being from Northern Ontario, I see it a little bit different because the opportunities for employment are not as great as they are here in the core of Ontario. So that maybe those people will not be unemployed for as long as they would be if they were in some other area. And you can get away from with the idea of saying, "Yes, everybody has to stay until the 31st of May or you disqualify yourself from the package."

And I can imagine and certainly appreciate that the question has been raised and warranted a lot of discussion, but it is certainly something that I think this Committee is going to have to consider when they make their recommendation because there are areas that are less fortunate than this particular area of Ontario where any chance for a job is a chance or one that you have to take immediately, you do not have a second chance at it.

Mr. Fleming: But I think trying to fit the culture of Northern Ontario into a New Toronto plant could give us some heartache.

Mr. Pierce: But the problem that we face as legislatures, and I have to tell you this, that we in Northern Ontario suffer many injustices because the legislation is built for Eastern Ontario.

Mr. Fleming: I am sure--

Mr. Pierce: So--

The Chairman: Perhaps, Mr. Hennessy, has a short supplementary and then we can give the last question to the local member. Mr. Hennessy.

Mr. Hennessy: Mr. Chairman, I have to agree with Mr. Pierce that this does place the fellow that is working or the woman that is working in a very, very difficult position because they have not got the dollars - maybe they are just paying off the mortgage and things like that, and if it is a young family he has the opportunity to get another job and I think anybody who is young and aggressive, looking ahead well say, "Well, that there is no use waiting for a certain date because I am going to be out in the street, I may as well look for another job." But the bottom line is that the company protects themselves, but they do not protect the worker.

I mean a fellow may have been there twenty-four years, he is going to get a pension and he can lose everything if he leaves one day before he is supposed to leave. I think that is totally unfair and I have to agree with Mr. Pierce that we will be looking at that very, very carefully because the honeymoon is over. I mean you have got too many guys that are depending on it and don't know whether to take the job or whether to stay, and if they stay there they get their severance payment all right, but they may lose too much if they take another job. So they are caught in between as to knowing what to do. And I think that anybody that has a family would recognize that there is not enough protection for the man that is caught in the bind, that is the worker as far as I am concerned. And I think that Mr. Pierce is right, the Committee will be looking at that very carefully.

Mr. Mackenzie: We tried during the last--

Mr. Hennessy: Then we will try again, we can try again.

The Chairman: Ms. Grier.

Ms. Grier: Thank you, Mr. Chairman. Just a couple of questions as a result of what I have heard, if I might, to Mr. Buzby.

I think it is true to say that for sometime production decisions at Goodyear have been on a North American basis, is that...

Mr. Buzby: Partially.

Ms. Grier: Partially. Is it not true that most of the decisions about what production would be on a daily basis or weekly basis are made in Akron?

Mr. Buzby: No, incorrect.

Ms. Grier: So, what role does head office here play then in the decision making about a new plant? I come to it

from the comment you made about how you had tried in April '86 and September '86 to suggest a new plant in Southern Ontario. And in looking at Mr. Lavalles's comments to the Committee yesterday, which I had not heard, he makes a point that the future of Canadian subsidiary is crucially dependent on the availability of its management to present a compelling business case to its parent.

Our experience to date indicates that the Canadian management generally does not have the resources available to prepare such a case. And, if, as in the case of Goodyear, most of the production is all intergrated North American basis, and where does the Canadian management -- what leverage do you in fact have in arguing that there should be a rebuilding of a new plant here rather than somewhere else?

Mr. Buzby: Well, first of all, I don't know what his reason for stating that is; he must have his own reasons. In our own case, and that is all I can address, we, first of all, had to convince our own local Board of Directors that it is a viable economic proposition, our Board of Directors here in Canada, because we are a publicly held company in Canada, and we have outside directors. We have to first convince them that we have a logical situation because after all no matter what it is it has to be an economically viable proposition, whether it is in Ontario or wherever it might be.

Once we have them and they agree then our local Board says, "Yes, go ahead." And then sell it to the parent. And the parent says, "All right, you have an economic proposition or you do not have an economic proposition, or you are competitors or you are not competitors." That is the way we operate. I don't know how anybody else does.

Ms. Grier: I was interested in your comments that anybody who would have worked in this plant is free to show up at any plant and apply for a job.

Mr. Buzby: Right.

Ms. Grier: Do you anticipate that the new plant would be a unionized plant?

Mr. Buzby: That is up to the people in plant. I am not going to make that decision for them.

Ms. Grier: So, you would not see any of the bargaining rights of the current union being transferred to any new operation? It would be a total new scene?

Mr. Buzby: The people who start up a new plant should have the right to decide what they want to do in that plant.

Ms. Grier: Since the Goldsmith takeover, and back to

the Goldsmith takeover, if the foreign investors... new legislation had been in place in this country, would that have prevented the Goldsmith takeover if he had succeeded in getting control, played a role in the whole thing?

Mr. Buzby: I don't think we would have impacted on the situation in the U.S. because that is where most of the impact took place. Now, if they had one down there I don't know, maybe it would not have happened. I am not that familiar with that organization.

Mr. Wildman: Are you saying because they were purchasing the parent?

Mr. Buzby: That's correct, and we are part of the parent.

Ms. Grier: Thank you very much.

The Chairman: Thank you. Mr. Buzby, Mr. Fleming, Mr. Webb, thank you very much for appearing before the Committee. Given the comments that have been made about corporate takeovers and free trade, and tariffs, and a planned economy, the mandate of this Committee may have to be expanded to include the contradiction of capitalism, but we will save that debate for another day,

Thank you very much for appearing before the Committee. We are adjourned until two.

---Adjourned for lunch at 12:14.

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Government
Publications

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

PLANT SHUTDOWNS

THURSDAY, FEBRUARY 19, 1987

Afternoon Sitting



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

Bernier, L. (Kenora PC)

Gordon, J. K. (Sudbury PC)

Mackenzie, R. W. (Hamilton East NDP)

McGuigan, J. F. (Kent-Elgin L)

McKessock, R. (Grey L)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Wildman, B. (Algoma NDP)

Substitutions:

Gillies, P. A. (Brantford PC) for Mr. Stevenson

Hennessey, M. (Fort William PC) for Mr. Bernier

Poirier, J. (Prescott-Russell L) for Ms. E. J. Smith

Also taking part:

Grier, R. A. (Lakeshore NDP)

Clerk: Decker, T.

Staff:

Nigro, A., Research Officer, Legislative Research Service

Witnesses:

From the United Rubber, Cork, Linoleum and Plastic Workers of America, Local 232:

Birrell, D., President

Lang, A., Vice-President

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, February 19, 1987

The Committee met at 2:08 p.m. in room 228

Resuming review of announced closures of manufacturing facilities in Northern Ontario.

Mr. Chairman: The Resources Development Committee will come to order. Don't allow those hangers on to waste your time, Members.

A couple of matters to raise with the Committee before we start with the union representing the workers at Goodyear.

Next Thursday when we are in Sudbury there is going to be an experiment to hook up a Committee outside of Toronto to the legislative broadcast system. And there's still one hitch with what they call the up-link to hook it up to a satellite - getting it back down is not a problem once it gets up there - and the Committee hearing in Sudbury would be broadcast live back here as though it was in the Amethyst Room.

It's the first time we've tried this, so the television people around here are quite anxious to try it, see how it works and see if there's any kinks, as it were, in the system. So that you'll know that when you see some cameras there and so forth that that's what it's all about. There is one problem, as I say, with the up-link yet, getting that sorted out with the cable company. But other than that it's okay. So that should be fun.

Secondly, because of the time constraint, it would be helpful if Members could get any of their own caucus suggestions in to Albert in the next two weeks, or even next week, actually - we only have two weeks - so that when it comes time to reach our conclusions as to what to recommend to the Legislature, Albert can lay before us all the various suggestions that have been made: either that he's managed to filter out through the system as he hears recommendations from either witnesses or from Committee Members, and then that last day we can go through them one by one and see which ones we agree with.

That leads to one more scheduling problem, and I need the Members' guidance on this. The last week - I don't want to do this to you, fellows, if you're not in agreement - the last week, two weeks from now, we were originally scheduled to hear employers' groups on Tuesday and employees' groups on Wednesday, and then do all our recommendations on Thursday. I'm increasingly nervous that by the time Albert lays the recommendations before us and

go through them, that we'll never come close to getting through them that day. Would the Committee be prepared to sit the afternoon on the Monday and do the employers' groups then, because there's only three of them, and employers Monday afternoon?

It wouldn't start until two to allow people to get here, then on Tuesday do the employees groups and then that would allow Wednesday and Thursday to dispense with our recommendations, at least to Albert, and then they can be written up before the House comes back.

Mr. Pierce: You're talking about the --

Mr. Chairman: March the 2nd.

Mr. Pierce: March the 2nd?

Mr. Chairman: Mr. Gillies?

Mr. Gillies: That's a problem for me, Mr. Chairman, but if it's best for the rest of the Committee, then by all means go ahead.

Mr. Chairman: I'm just concerned about pretending that we could do it all on that Thursday, that's all. We wouldn't be making any decision that day. It would be hearing from the employers. I think it's the CNA, the Chamber of Commerce, and the Canadian Organization of Small Business.

Mr. Gordon: I can live with that. No problem.

Mr. Mackenzie: As long as it's the afternoon.

Mr. McGuigan: I have a problem.

Mr. Chairman: I know it's not the original schedule.

Mr. Chairman: All right. Will we go ahead and try it then? All right. Thank you.

Members, I think, have been distributed with copies of Mr. Buzby's statement of this morning, and this afternoon we have before the Committee Mr. Dave Birrell and Mr. Al Lang from the Union of Rubber, Cork, Linoleum and Plastic Workers of America. Have you thought of changing that name?

Mr. Birrell: It's usually just Union of URW.

Mr. Chairman: Okay. This morning we heard from the company, and these gentlemen were here this morning and heard that presentation. And so we're pleased that they are here this afternoon. Do you have an opening statement

that you'd like to make to the Committee?

Mr. Birrell: Mr. Chairman, we didn't have time to prepare any kind of a brief or anything, but we'd be more than willing to answer any questions that the Members of the Committee have.

Mr. Chairman: Okay. Mr. Pierce?

Mr. Pierce: Thank you, Mr. Chairman. Because you were here this morning and heard the comments of the management group from Goodyear and you now have a little bit of time to reflect on what's taking place, can you tell us - maybe not as a presentation but certainly as a bit of a brief summary - what could have been done within the corporate structure of Goodyear to assist for a better shutdown procedure within Goodyear.

And I think nobody wants to recognize that there's going to be a shutdown, but once the facts are there and the place is going to be shut down, what can you tell us that would have helped your employers or your employees - your members - in better conditioning themselves for that inevitable shut down?

Mr. Birrell: Well, I think what maybe I should do is give you a little bit of a history of the plant from our perspective. In 1983, early '84, the company brought a task force into the plant from Akron, Ohio. That task force went through the plant and made recommendations -- pretty major recommendations as far as the factory went.

They made recommendations to completely restructure the factory. That involved shutting down a machine shop which employed approximately 45 skilled tradesmen. It involved moving major pieces of equipment from different floors in order to make the plant more efficient. That resulted in major upheaval in the plant for approximately two years.

Along with those recommendations, some of them involved layoffs in order to make the plant more efficient. I mentioned the 45 tradesmen from the machine shop. Approximately 169, I think it was, bargaining employees were supposed to be laid off and a fair number of salaried people.

So we went through all of that and everybody, frankly, thought that it was probably a good thing to make the plant more efficient. And, of course, obviously, when the plant was being restructured, production wasn't up to snuff because of the moving of major pieces of equipment, so the plant obviously wasn't making money while all that was going on.

We then came to the spring of '86; we went into contract negotiations. During contract negotiations the company kept telling us that, "We have to get certain things from you in order to make the plant efficient, in order to keep the plant alive."

We resisted for a long time those efforts, and in the final analysis we conceded to them that we would move away from piecework to daywork. A major portion of the jobs in the plant were on piecework at the time, and a Committee was to be set up to do that. We also conceded to them that we would move into cross-crafting, which meant that some of our tradesmen would do parts of other trades.

Mr. Chairman: I'm sorry, do you mind, Mr. Pierce, if I just get a clarification on something there. Why is going from piecework to daywork a concession?

Mr. Birrell: Well, obviously, if you move from --

Mr. Chairman: Is it less money?

Mr. Birrell: Yes.

Mr. Chairman: Okay. That answers the question.

Mr. Birrell: In our opinion, he wasn't going to give any to us. Obviously, that was their ultimate goal, to pay less money.

Mr. Pierce: It's interesting, if I may interject also at that time, it's interesting that a company would look at it in that respect, because normally piecework is related to the amount of production they have at the plant. If there's more product output, then, of course, there's more profit income.

Mr. Birrell: Right. Right.

Mr. Pierce: That's the conception, and that's the method of going at getting better output out the back door or the front door. And then to suggest that you now go to daywork as opposed to piecework can only indicate that the company is modernized to the extent that they no longer require you to run like hell, that the product is going to come out anyway as long as you're there.

Mr. Birrell: Right.

Mr. Gillies: Talking about piecework, it's turning into a discussion, I'm afraid, Mr. Chairman. If you've been on piecework in your plant and the workers have achieved a certain level of efficiency and expected production, I bet the company wouldn't necessarily be looking for that to decline when you go to daywork.

Mr. Birrell: Exactly.

Mr. Gillies: There's a certain advantage.

Mr. Birrell: The wage would decline. You'd only be paid a certain amount of money -- daywork; a daywork rate.

Mr. Gillies: Yes.

Mr. Birrell: So we felt that we had made concessions to them. We set up the Committee to change from piecework to daywork, and that was ongoing. And then we moved into October when Mr. Goldsmith came on the scene. And we kept getting stuff over the teletype and in the plant about what was going on in the States.

In the latter part of October, beginning of November, brother Lang and myself were called by to a meeting in Akron, Ohio, by our international president. And this was a meeting of all the presidents of all the Goodyear Locals.

We went down to that meeting and had that meeting. Mr. Mercer was there - the Chief Executive Officer of the company - and he got up and talked about Goldsmith, called him a corporate terrorist and all kinds of other nice things. And after we had heard him, we met among ourselves to plan some kind of a strategy in order to help the company to fight the takeover bid.

There really wasn't much we could do up here. The main fight had to come from the States, the Locals in the States. We came back, back to the plant, and relayed the message to the membership.

Mr. Pierce: Could I ask you a question before you go on in respect to that. Did the company, Goodyear, out of Akron, notify your union to the effect that Mr. Goldsmith was there and was going to be creating a number of problems within the company structure?

Mr. Birrell: Well, it was common knowledge. It was in all the newspaper in the States.

Mr. Pierce: -- is whether the company was really starting to involve you or wanted to involve you in what was going to take place?

Mr. Birrell: Oh, yes they did. And what we asked the union to do was to involve the membership in the communities where there was a Goodyear plant.

And so then we came back to Canada and events rolled along. We get into November the 20th. And I should say that we had many, many of our Members come to us and say,

"Look, what can we do to stop this thing?" And we had people willing to put up their life savings to buy Goodyear shares in order to fight the takeover bid. Of course, we advised them against doing that.

November the 20th, it came over the teletype in the plant, a statement from Mr. Mercer saying that they had fought Goldsmith off, they had bought him out, and that we were still part of the Goodyear family and the Goodyear name was still ours to cherish. That was on November the 20th.

On November the 21st, I was at a meeting in the plant and I got called to the plant manager's office, and at that time we were told that the plant was going to be closed. They give us six months' notice and here we are today.

I should say this; that is probably the most traumatic experience I've ever gone through in my life, and I hope I never have to go through it again. It's still ongoing in the plant. I can't begin to express the frustration, the anger, the feeling of wanting to lash out at somebody. And sometimes they lash out at us, obviously.

We've spent the last three months running around trying to get answers from government people, from the company, as regards pensions and severance.

In our collective agreement we have a severance award clause. Basically, what it says is that anybody who is entitled to immediate pension at time of plant closure is not entitled to a severance award. The only people who would really be entitled to a severance award under this agreement are actually people who -- Even people who are entitled to a deferred vested pension are not entitled to a severance award under the agreement.

Mr. Pierce: How many people would that involve?

Mr. Birrell: Let me get my--

Mr. Pierce: The reported numbers are 1547.

Mr. Birrell: Some of those are salaried people. Also the bargaining unit employees, I think, 1257.

Mr. Pierce: All right.

Mr. Birrell: Close to 500.

Mr. Pierce: Close to 500?

Mr. Birrell: They would not be entitled to severance under this, but they would be entitled to severance under the Employment Standards Act.

Mr. Pierce: Has there been any indication by the company that they would forego that clause in the contract?

Mr. Birrell: We have met with the Employment Standards Branch and tried to get a definition of what a reduced pension is. The Employment Standards Act says that if you are entitled to a reduced pension, you're also entitled to a severance award.

The company is saying that anybody who is entitled to any kind of a pension at all at the time of the plant closing - I think we have five different categories of pensions in our agreement - the company is saying that anybody who is entitled to any kind of a pension at all, except for one category, is not entitled to severance.

Maybe we should just -- We have a 30 and up clause. If you've got 30 years of service, regardless of age, you can retire. We have a clause: if you are between 60 and 62 you can retire. If you've got ten or more years service you can retire with a reduced pension; that reduced pension would be reduced by 4/10 of 1 per cent for every month below age 62. That would be the only category where people could qualify for their severance award under our agreement.

Mr. Chairman: That would be about 5 per cent per year?

Mr. Birrell: Yes. And we also have a 25-year plant closure clause which basically says:

"In the event of the complete and permanent closure of the employer's new Toronto factory, Central Distributing Warehouse or Bramshott Warehouse, an employee who has 25 or more years of credited service and is not otherwise eligible for an unreduced pension, shall not be eligible for a deferred vested pension but shall be eligible for an immediate pension."

And that immediate pension-- We have two pensions actually: We have a basic pension and a supplemental pension. So that if you retire early, the supplemental bridges you to 65. With this 25-year plant closure clause, you would only be entitled to the basic pension.

We've consulted with a pension actuary and it's his contention that people who fall into that category would be entitled to a supplemental pension, but, of course, the company doesn't agree with that. So we'll probably have a major battle with them on that, too.

As I said, it took us a number of months to try and

get all the questions answered. And we finally sat down and started to bargain with the company, and we submitted a bunch of proposals to them on January the 30th. Since then, we've had two meetings with them; one on February the 10th and one on February the 16th.

There has been some movement on their part under the employment standards and in the contract. You don't qualify for severance until you've got five or more years of service. They have conceded they will drop that; they will drop it down to, anybody who has got a year or more will be eligible for a severance award. And that would be one week's pay for every year of service.

Mr. Pierce: They said that here this morning.

Mr. Birrell: At first blush, when we met with the Minister of Labour, and they had had a chance to look at our severance award agreement, they thought that our severance award agreement was probably better than the law allowed, but it turns out that it's not, and nobody will get anything out of it, this severance award agreement in the contract. So basically what it boils down to is they're offering us what the law allows: one week's pay for every year of service.

Mr. Pierce: That clause in the contract, that's not normal contract language. Where did that come from?

Mr. Birrell: I think it came from the States originally in the '50s.

Mr. Pierce: Because it's not normal contract language. You don't usually see severance allowances being ruled out because of the availability of pension allowances for qualifying a pension.

Mr. Birrell: Okay. I think what you have to look at is, number one, anybody who's entitled to any kind of a pension at all at time of plant closure, would not be eligible for a severance. Anybody who is entitled to a deferred vested pension would not be entitled to a severance, under this, which pretty well rules out most of our people. And, of course, I think the new pension legislation is pending. That would almost wipe everybody off the map-- the two-years thing.

Mr. Pierce: I could see it being a clause that would go into a contract where you'd never anticipate ever being shut down or not utilizing your severance allowance.

Mr. Birrell: To be quite frank, we never really looked at the severance award because we had no reason to use it. And the only thing that has been changed in it over many, many years is the 25-year thing. You know,

the 25-year plant closure clause.

So, as I said, we've had three meetings with them. They are not moving very fast. We, obviously, want a hell of a lot more than what they're offering because we have quite a number of older employees, and it's going to have a pretty drastic effect on their lives. And we know that a lot of them are not going to get jobs once the plant goes down.

We also have a number of employees who are on light duty in the plant, who were injured in the plant, and who have been assigned to lighter work. We know that they're not going to be able to get jobs when the plant closes down.

Mr. Pierce: Can I ask you, are those people on partial disability?

Mr. Birrell: Some of them have WCB pensions. Some of them, not all of them. And it's quite obvious -- You know, we have a member of our bargaining committee who had a serious back operation. He has a twelve-inch scar on his back. Through that operation he had trouble with his elbow and he has a massive scar on his elbow, and I'm almost a hundred per cent sure, if he goes out looking for a job --

Mr. Pierce: They won't hire them for the reason that they're on WCB and they have an active claim to begin with?

Mr. Birrell: That's right. So there is a number of people in that category, too.

That's pretty well where we're at right now with it. We have got an answer back from the Employment Standards Branch regarding what constitutes a reduced pension, and it's in our favour. But that's only an opinion from the Employment Standards Branch; whether the company will go along with it, we don't know. We tend to doubt that they will, because if they do, it's going to cost them a fair chunk of money.

And the 25-year clause, of course we're going to be contesting that with them, too. We've already mentioned that to them, and the reaction is, "No way." The tension in the plant is building every day because, obviously the company is not moving very fast.

It's interesting to note that one of our sister unions of Steelworkers has a plant closing down just around the corner from us - Federal Nut and Bolt - and in their bulletin they have an article about the Alcan plant closing in Kingston. And Alcan has basically offered

those people, without any prior negotiation with the union, a heck of a lot more than the Goodyear is offering us, and this is without even negotiating with the union.

And we brought this to their attention, and they said they would take a look at it, but we're not too optimistic about what's going to happen with that.

Mr. Chairman: Excuse me, Mr Birrell, do you have a copy of what that offer was?

Mr. Birrell: It's right here.

Mr. Chairman: Could you leave us -- Could we make a copy of that?

Mr. Birrell: Sure.

Mrs. Grier: I have a copy of that.

Mr. Chairman: Oh, you do?

Mr. Mackenzie: -- a request that the union has made in terms of negotiations with the company proposal?

Mr. Hennessey: Mr. Chairman --

Mr. Chairman: Mr. Pierce?

Mr. Pierce: I'm still here, yes.

Mr. Chairman: We do need to be reminded.

Mr. Pierce: Well, I guess I go back to my original question, and looking at it now in hindsight, what would you suggest could have been better or a better approach made or better awareness made in respect to your union members in anticipation of a layoff or a shut down?

Mr. Birrell: Well, let me say this to you, that when I started there twenty-two years ago, I walked into the plant and I'd been there four or five months. And somebody came up to me and said, "Hey, you'd better quit and find another job; this place is not going to be here very long." And I think Al can say the same thing. That's been said over the years in the plant. We all knew that the plant was an older plant, but we always thought that they would build another plant in southern Ontario, because this is where the market is.

Mr. Pierce: Yes.

Mr. Birrell: And we did go up to Ottawa in December to meet with Michel Cote, and some officials from his Ministry told us that Goodyear had been talking

to the Federal Government about building a new plant long before this came on the scene. They were thinking about building a new plant.

But what could we have done? I think we've always had a fairly good relationship with the company. We've had our bad moments; we've had a couple of big strikes in my time. But after the strike was over, we always went back and we got along fairly well with them. They've never been an easy outfit to deal with. They have always been tough and we have been tough in return.

I think, myself, that something has to be - some legislation or whatever - has to be passed that makes them justify closing the plant. Mr. Buzby made reference this morning about nobody came to them and talked to them about what could be done or what's the tire industry like in Canada. I don't think it's up to the government or us to come to them. I think they should be coming to the government and saying, "Look, we have an older plant here; it's not going to be around for much longer," because, as he explained this morning, it's a four-storey plant and it's inefficient. Obviously it is, and I think we all knew that.

I don't think it's our role to say to them, "Well look, the plant's inefficient so why don't we go to the government to see what you could do about getting a new plant built." I think they know that. They've got a heck of a lot more insight into what's happening in the industry than we have. I think it's behoves them to make them move.

Mr. Pierce: Let me ask you a question, as an experienced negotiator in drafting that contract language --

Mr. Birrell: I should tell you this, that both Al and I just got elected last October.

Mr. Pierce: Oh, I'm in trouble here.

Mr. Birrell: But I have sat --

Mr. Pierce: But you have been involved in the plant for a number of years--

Mr. Birrell: I have, yes.

Mr. Pierce: And certainly the basis of negotiation is built on the demands of the employee.

Mr. Birrell: Right.

Mr. Pierce: And I know that from my experience as

a negotiator in drafting contract language, it was always difficult, to say the least, to try to sell contract language to employees as opposed to selling benefits.

Mr. Birrell: Right.

Mr. Pierce: They were more prepared to say that they want another two or three cents an hour than they were to say, "Well give us a better pension plan."

Mr. Birrell: Right.

Mr. Pierce: They were prepared to say, "Give us an extra statutory holiday," than they were to say, "Give us a severance clause or SUB? plan." So that it's difficult, on the part of negotiators, to put that kind of contract language in with the approval of the employees.

Mr. Birrell: I couldn't agree with you more.

Mr. Pierce: And we find ourselves in that kind of a situation where now that the shut down comes, a total shutdown, and the employees come back to us and say, "Where were you guys? Why don't we have that covered in the collective agreement?"

And yours isn't the only contract that doesn't have that kind of language. I worked for a company for 21 years that shut down, and I worked -- There was another sister company beside me that had been in operation for 40 years that shut down completely. And they had had forty years of negotiations, but they didn't have built into their collective agreement the proper clauses that would have satisfied the employees for that final day of shutdown. And it's one of the problems that you have as a negotiator.

Mr. Birrell: I would also like to address the question that you asked, Mr. Webb, this morning, regarding people finding jobs before May the 31st, before the shutdown. We have asked the company at least on six different occasions to do that, and the response has always been the same. I have people coming into the union hall all the time saying, "Look, I've got a good job prospect; do you think they'll let me go?" And I have to tell them, "No, they're not going to let you go. If you go you lose everything. You lose your severance; you lose your pension benefits."

I had a fellow come in the other day. He didn't have an awful lot of service; he had six years. He was a mechanic, got a good job offer making 60 cents an hour more than what he's making at Goodyear. And I had tell

him, "No. If you quit, you lose it all."

Mr. Pierce: So now the onus is on him to weigh the differences whether he should go or not.

Mr. Birrell: That's right.

Mr. Pierce: Weigh the benefits of hanging on until the last hog is hung out to dry, or whether he takes off and takes his new job and kisses away his benefits.

Mr. Birrell: I had another fellow with three and a half years come in, and he had a good job offer -- almost \$15.00 an hour. And I told him, I said, "Hey, if it was me, I would go."

Mr. Pierce: For the sake of three weeks' severance pay why should he stick around?

Mr. Birrell: Exactly. Well, that's happened quite a number of times.

Mr. Pierce: Well, I think, as you know, as a result of the discussions we're having here today and certainly the questions this morning and this afternoon, that the Committee will be addressing that particular item as well as other items in how you best approach that, sir.

Mr. Pierce: Thank you very much.

Mr. Chairman: Thank you, Mr. Pierce. Mr. Mackenzie?

Mr. Mackenzie: The last little comments between you and Mr. Pierce on the workers' desire for cents per hour rather than benefits, is that still, or in the last set of negotiations, the situation in your plant?

Mr. Birrell: The last set of negotiations was pretty well a saw-off, you know, between pensions and wage -- the wage package, you know. We got a fair increase in pensions and in wages. Not, obviously, what we wanted and it was a pretty tight vote at the ratification meeting. That got 51 per cent - a real squeaker - but it did go over and -- Yes, I think it's --

Mr. Mackenzie: I've been monitoring some of the UAW and Steelworker contract negotiations specifically, and the last two sets of negotiations - and certainly the current one going on in Stelco - it's almost totally the claim. The situation that Mr. Pierce described is as accurate five or ten years ago; it's certainly not accurate today in any of the major negotiations that I know of. The emphasis is on, almost totally, security

and pensions and job security and so on.

Mr. Birrell: We obviously tried for those things -- job security and that kind of thing. We tried for, in the event of a plant closure, that if a new plant was built, that all of the people who were in the old plant would go to the new plant. And they just wouldn't give in on that.

Mr. Mackenzie: What about your pension plan; is it in a surplus position, or do you know?

Mr. Birrell: My understanding is that it's slightly underfunded, but there is, apparently, more than enough money there to cover everybody.

Mr. Mackenzie: You haven't as yet worked out any particular agreements in terms of --

Mr. Birrell: No. No, we haven't.

Mr. Mackenzie: When you say that you're not having too much success in negotiating any additional benefits, that your assessment is that they pretty well match what is required by law or what's in your contract, I take it that you have raised with the company some of them? I guess these are some of the requests that you've made on the blue sheet?

Mr. Birrell: Yes.

Mr. Mackenzie: Proposals for --

Mr. Birrell: Yes, yes.

Mr. Mackenzie: They have as yet not responded to --

Mr. Birrell: They have responded in some areas. They have responded in the area where they would drop their severance - entitlement to severance - down to one year.

Mr. Mackenzie: That's a five year to one year --

Mr. Birrell: Five year to one year on the --

Mr. Mackenzie: How many employees would get caught up in that in your plant?

Mr. Birrell: Let's have a look. I don't really have -- The number of employees with under ten years of service, 581.

Mr. Mackenzie: Under five years, you wouldn't have

that broken down?

Mr. Birrell: No, I don't have that breakdown.

Mrs. Grier: 254, I have from much earlier.

Mr. Birrell: Oh, I'm sorry. You're referring to the company sheet. I'm sorry; yes.

Mr. Mackenzie: So they're slightly better maybe in that area, the employment standards, for those 250 employees?

Mr. Birrell: Yes. Two hundred and fifty.

Mr. Mackenzie: A very slight improvement.

Mr. Birrell: You see, some of those people would have been entitled to some money under our -- We have a separation payment plan in our contract, too.

Mr. Mackenzie: I see.

Mr. Birrell: Approximately two weeks' pay.

Mr. Mackenzie: So really what the cost of it is, is extremely small?

Mr. Birrell: Oh, yes. They did also move on the pension category between 60 and 62. That was where the reduction comes in. They said that people in that category will have the option of having all deductions to their pensions waived, which, in effect, they would get full pension.

Mr. Mackenzie: Do you have any idea how many employees that would cover?

Mr. Birrell: Let's see now. 13.

Mr. Mackenzie: Thirteen employees. Work force of the 1200 and something?

Mr. Mackenzie: What kind of commitments have they given you to preferential hiring or to the right to jobs to any of your people in a new plant?

Mr. Birrell: We have had obviously two or three discussions about that. They're not too receptive to the idea. At the last meeting, they said that they would take another look at it. That's all I can tell you, that so far it's been negative.

Mr. Mackenzie: They raised with us here today that they would have to be cognizant of the concerns of the

community they were putting the plant up in, and we didn't get much more on this.

Mr. Birrell: Right. It's my opinion that they really don't want any of us; they don't any of us. They don't want any -- They don't want union people, obviously, especially union activists. Al and I certainly wouldn't get a job in the plant.

Mr. Mackenzie: How many workers would you have in there that are fit for light duty only as a result of WCB cases and so on?

Mr. Birrell: I would have to speculate on that. It would probably be a couple hundred.

Mr. Mackenzie: I understand it is high because the work is heavy in the plant.

Mr. Birrell: Yes.

Mr. Mackenzie: So you could have as many as two hundred, but have the additional cross to bear, apart from union activists?

Mr. Birrell: Yes.

Mr. Pierce: You have two hundred people in a plant of 1100 people on light duty?

Mr. Birrell: Probably not on light duty, but on -- not on their normal work. You know, they might be--

Mr. Mackenzie: Modified or light.

Mr. Birrell: --modified work. Some of them would be on light duty. Like the fellow I talked about earlier with the back and the elbow; he certainly is on a much lighter job than what he did in the past. There's no way he could perform that --

Mr. Pierce: That's an astronomically high percentage of the workforce.

Mrs. Grier: It's a dangerous job.

Mr. Pierce: Is it extremely high in your plant?

Mr. Mackenzie: The same as Fire Store in Hamilton.

Mr. Birrell: It's all heavy work. There's a lot --

Mr. Wildman: -- that are lifting.

Mr. Birrell: Our entire building is an extremely strenuous job. You know, we have fellows on one machine; two men work that machine and they'll build, on a 12-hour shift, they'll build a thousand tires. You've got to hustle to do that. They're making good money, but there's a high burnout rate.

Mr. Mackenzie: What kind of an offer have they made - or do you know - to management or to office personnel compared to yours?

Mr. Birrell: They really haven't -- I should talk to you about what's happened at the head office. Part of their restructuring is they wanted to get rid of a certain amount of people at head office. They offered the people at head office five years on their age and five years on their service in order to qualify for pension.

People who were eligible to retire - one of the people I was negotiating with - he got - I won't mention any names - but he has over 30 years of service and he's going to get his nice pension. And he is also going to get 1.6 weeks per year of service in severance.

Mr. Mackenzie: No cap on that? So he gets a very good pension.

Mr. Birrell: Six weeks of pay, per year of service.

Mr. Mackenzie: A fifty-two week maximum on that?

Mr. Birrell: I mean sorry, yes. They really haven't offered too much to the salaried people who actually work in the plant. And we've obviously said to them, "Well, why are you treating us any different from the people at head office?"

And they said, "Well, there's a difference; it's voluntary at head office. It's a voluntary retirement" or whatever.

Mr. Wildman: They have to give an incentive.

Mr. Birrell: There's more people than they thought took them up on their offer at head office. In fact, I think, after it's all over, they'll probably have to hire more people at head office.

Mrs. Grier: That's the irony of it.

Mr. Mackenzie: -- if they do come up with a new plant in terms of jobs?

Mr. Birrell: We had a meeting with Mr. Buzby and we obviously asked him that question. And he said: "Look, if you can get some help from the provincial government, some help from the federal government, to bridge the old plant over until you get a new plant, would you be willing to keep the place open?" He said, "No," for all the reasons they gave you this morning: the technology, the specs, the floors in the plant - the wooden floors vibrating - and all the new high-tech equipment.

Mr. Mackenzie: Do you think there's been mismanagement? I say that in this context: We had Mr. Lavelle tell us that our experience today indicates that Canadian management generally does not have the resources available to prepare such a case. They're talking about the future of Canadian subsidiaries and quotas.

And we had, although I think I do accept some of his arguments, we had Mr. Buzby tell us this morning that in hindsight they might have put some of that 32 million into a new plant rather than a continuing upgrading of it.

Are you satisfied that they just got caught and hindsight is now valuable, or did you think they knew there was going to be this kind of a move before?

Mr. Birrell: I'm not satisfied. I think there has been a certain amount of mismanagement. They talk about government wasting money, but the amount of waste in that plant is just horrendous. Not all the time, but at different times the waste was terrible.

And I seriously believe, myself, that it was Mr. Mercer and his friends down in the States who left themselves wide open to this takeover thing. And if you want to call that mismanagement; yes, I think it was mismanagement on their part for leaving the company wide open to this takeover bid. Goldsmith walked away with \$93 million, and here we are fighting, scratching, to get a few dollars out of them for our people in the plant. And to me it just doesn't make sense.

Mr. Mackenzie: How much input at any time into their plans in that plant for changes, for modernizing, for upgrading, have they invited from the workers or from the union?

Mr. Birrell: Okay. Along with this new restructuring within the plant, all this machinery being moved, they also introduced, I guess you'd call it a "Japanese" concept of having the workers more involved in the decision-making process in the plant.

Before we used to have nine department heads; through this restructuring, they split the factory up into four business teams. And then they built a whole bunch of new offices; they spent millions of dollars building all these new offices. They've got classrooms in these office complexes. We embarked on a major training program retraining everybody so that everybody would be trained the same way throughout the Goodyear chain, and it had some effect, I guess. People began to feel a little more involved in the decision-making process.

But up until then, no, there was -- We were not consulted on anything. I could relate to you a job that I worked on; it's called a Firwood buffer job. And what it is, five different machines, the tire comes along on and there is a black strip on it where the white wall is. The tire goes into the machine and this machine buffs the black strip off and the white wall comes up.

A number of years ago they decided to change that operation around. They failed to consult with anybody who worked on the job. They went ahead and did that and this move was supposed to reduce labour in that area. In effect, it increased labour. After all the movement was over and all the machinery was moved around, we had to put extra men into the job to make it go.

They then changed it again, but this time they came and consulted with us, asked us what we thought, and they did change it around and it worked; it worked very well.

So really, I would say until about four years ago there was no involvement by the union in any decision-making or no involvement by the membership on the floor.

Mr. Chairman: Thank you, Mr. Mackenzie. Mr. Gillies?

Mr. Gillies: Thank you, Mr. Chairman. A lot of the questions I wanted to ask you gentlemen have been asked. But one thing that we heard subsequent to the announcement in November was that one of the proposals being kicked around by, I believe, some government officials was the concept of an employee buy-out of the plan. I just wonder if that was ever discussed with you and whether there was any viability to that?

Mr. Birrell: Before the Goldsmith thing?

Mr. Gillies: Well, I'm going from news clippings at the end of November. So it would have been subsequent to the announcement.

Mr. Birrell: There was some talk about it, but --

Mr. Mackenzie: Just not viable, eh?

Mr. Birrell: No. Just -- you would have to -- you know, you would have to have a sales force, you would have to have research and development which would involve massive amounts of money, and it just wouldn't be feasible unless something could have been worked out with the company under a licensing agreement or something like that. But no, we didn't even give it too much thought.

Mr. Gillies: Do you agree with the company's assessment that no amount of money pumped into this particular factory would make it viable and competitive? They put the argument this morning. I'm sure you heard about the radial tire equipment not being suitable for that building and so on and so forth. Do you buy that entirely?

Mr. Birrell: I buy it to a certain extent, but I think the plant probably could have been kept going at least for another three, four years until they were able to build a new one. Because, obviously, they put that new radial equipment back in the early '80s - put that equipment into the plant on the fourth floor of the plant where the head office used to be at one time - and they made money up there. They made a profit. And just by the bye, since the announcement of the plant closure, we have broken production records on that floor.

Mr. Gillies: So, in fact, they did install radial equipment in --

Mr. Birrell: Oh, yes. Oh, sure. We had ten thousand radials a day.

Mrs. Grier: That's what --

Mr. Gillies: I'm sorry. I must have missed part of it this morning.

Mr. Wildman: The provincial government paid for that?

Mrs. Grier: No. Part of it.

Mr. Gillies: All right. All right.

Mr. Pierce: It was a \$30 million project.

Mr. Mackenzie: There was a little bit of a misunderstanding, I think, in the testimony the first --

Mr. Chairman: No doubt about it.

Mr. Gillies: I'm not familiar with the site itself at the plant. I mean, I've driven by it, but I don't know it in detail. Would there be room on that plot, on that piece of land that is owned by the company to build a new factory there?

Mr. Birrell: Well, my understanding is that Mr. Webb made a statement this morning that it would be a possibility that there would be room to build a new plant on. But our answers from them to that question have been, "No. There's just no way. There would just not be enough room." They would need something between 4- and 600 acres to build a one story plant, and, the availability of water.

Mr. Gillies: The only - unless it was set out to the media afterwards - the only comment I heard from the company this morning was that they were considering a new plant in Ontario.

Mrs. Grier: Mr. Chairman, perhaps I can clarify that, because I asked Mr. Webb afterwards. Because that question has been raised frequently in the community. And the comment always is, "No. We have to go out into the green fields of Brampton or somewhere to do it."

And speaking of the 1,300,000 square feet of the plant that was mentioned this morning, I asked after your session how many square feet would be required for a new, modern, one-floor tire plant and was told 5-to 600,000 square feet.

And I said, "Is it possible to accommodate that on the 25-acre site on Lakeshore Boulevard, and the answer was, "Oh, yes, it could be accommodated there." And that's the first time that had ever been said, and it was from Mr. Webb, who, I think, is in the Personnel Department, so I'm not sure how official it is. But it will be pursued.

Mr. Gillies: I dare say it will. But that is interesting.

And I apologise if you covered some of this when I was out of the room, but I wanted to ask about the Adjustment Committees that are being set up and the efforts to assist workers prior to the actual shutdown and so on. What's your experience been with that process thus far?

Mr. Birrell: I turn that question over to Al because he's been working on that.

Mr. Gillies: Well, Mr. Lang, are the workers' needs being met?

Mr. Lang: Now, I think they explained this morning that it can't be done until the questionnaires are returned and we can have a look at what each guy requires or what a group of employees requires. Right now, we can't do nothing yet.

And we questioned the man from the Employment Department about when is the earliest we could possibly start looking for jobs.

"You can't really look for anything until May 31st, until the closing, because Goodyear won't release you."

So what's the sense of setting a guy up for a job at the 1st of June when he can't - or 1st of May - when he can't go it until May anyway? So really, nothing other than a little bit of maybe stress counselling, financial counselling, things like that could be done beforehand. But the job search part of it, it's fruitless to even start it until the end.

Mr. Poirier: You can look but you can't go.

Mr. Lang: Yes, that's about it. The Chairman of the Committee is going to, in time, send out questionnaires to employers if they need people and what not. We asked him, when he gets answers back, how soon do they usually want employees? He said, "Usually within a day or two." So really, there's no sense in getting it going until the end of May.

Mr. Gillies: One thing - and it's a consistent theme through our discussions today - one thing we're all concerned about, I think, is the arrangements that should be allowed and should be able to be made by an employee between the time that a shutdown is announced and the time that it actually happens. What you're saying now is, as far as you know, during working hours even if an employee had a specific job interview to go to that they would not be allowed during working hours time off to go to that interview.

Mr. Birrell: They probably would be allowed the time off. Oh, yes, I think they would let them do that. We talked about that earlier on.

Mr. Lang: What they are talking about now is setting aside a room in Goodyear that maybe employers could come to us instead of a guy having to take four hours off or something. You know, set up a room in Goodyear that the employer could come in and then the employee would only have to take fifteen, twenty minutes off to do it. But that is not working yet.

Mr. Gillies: But as we both know, sometimes you might have to go to an interview in Hamilton or Brantford or wherever; and so, we don't know at this point whether such arrangements could be made.

Mr. Lang: No, not yet.

Mrs. Grier: Could I ask a supplementary on that, because it was mentioned this morning about how the company was prepared to see those committees continue after the closure. But I would be interested in knowing from Mr. Lang if he's going to continue to serve on that Committee after May the 31st?

Has there been any indication that Goodyear are going to pay your salary while you're serving on the Adjustment Committee to help your bothers get new jobs?

Mr. Lang: Well, we haven't really discussed money up until -- well, we have up until the end of the contract. They said they would pay our wages until then.

But once the contract ended, there was a suggestion made by the plant manager that we go on unemployment insurance and help out other guys find jobs and then they would maybe give us fifty dollars a week on top of that, type of thing, you know, or sixty dollars a week.

Mr. Gillies: And in the case of these committees -- and I have some experience with one or two of these--

Mr. Lang: I can't wait that long.

Mr. Gillies: No, I know. The Ministry of Labour is supposed to be in there with funding to help in the operation and funding of such a Committee.

Mrs. Grier: There is the Metro Employment Canada Committee.

Mr. Gillies: Have your people or the company been in touch with the Ministry of Labour about the provincial funding that is available for this type of function?

Mr. Lang: Not that I know of.

Mrs. Grier: I'm not sure that the federal and provincial departments work as closely as one would wish they might in these situations.

Mr. Gillies: Well, I would hope -- I mean, it's not much.

In the case of White Farm Equipment closing in Brantford, I believe that the Ministry came in with thirty,

forty thousand dollars or something to help the Adjustment Committee do its job. Even though it's not that much, I would hope that you are not missing out on that, and maybe we could make a note to ask the Ministry of Labour.

Mrs. Grier: I think that maybe that would be good if we could follow up on.

Mr. Pierce: I know that in the two plant closures that we went through there was a committee established that was both federally and provincially funded in conjunction with each other. And then there were the members from the two companies involved in the committee as well. But it was funded jointly between the federal and provincial governments.

Mr. Lang: I have no provincial knowledge of it now. It's a sixty/forty split between Goodyear and the federal government right now.

Goodyear is allotted \$75,000 for their portion, for now, to set up the committees. And I don't know whether they are going to give anymore money on top of that or not or whether that's it; I'm not sure.

Mr. Gillies: This may be one area in which we can make a recommendation. It strikes me as odd - and maybe there are activities ongoing in the Ministry of Labour of which we're unaware - but as far as we know, it just seems odd to me that in the case of a plant closure that the company and the employees should have to go out finding all of these things.

It would strike me that there should be a mechanism in place that as soon as a work reduction is announced, or or even contemplated, that the appropriate federal and provincial officials are right there and start working to set up the necessary mechanisms.

Mr. Lang: I must admit the federal guy was there within -- Bill Clarkson -- was there within a week or two weeks after the announcement of the closing to offer his assistance. He was there pretty quick.

Interjection: --because they have the resource to do that.

Mr. Lang: Well, we have no knowledge of that.

Mr. Gillies: Well, we can check on that. I just want to make sure that all the resources are being made available to you that should be.

Mr. Birrell: Well, I can assure you that brother Lang will not be there after May 31st as he appears to be

going on unemployment insurance, and Goodyear in their generosity is going to give him an extra fifty bucks a week or something like that because he just can't afford it.

Mr. Lang: No, no.

Mr. Birrell: He's got a family. He's got to find a job.

Mr. Lang: There's four of us on the Committee right now, and every one of us has got a family; and you can't afford to sit back and wait for it. You have got to get out and get on with your life type of thing.

Mr. Gillies: In terms of the marketplace for the people in your plant with the kind of skills they have, would your feeling be that they are going to have a very easy or a difficult time to find employment after May 31st?

Mr. Birrell: I think that a lot of the older workers are going to have a hell of a time finding work, especially at the wages they are making in the plant right now. Those kind of jobs are just not out there, and with the benefits that go along with working there, no.

Mr. McGuigan: Between the Goodyear people and yourselves, both indicated that when they start up the new plant they are not going to be looking for the old workers. Is the salary one of the reasons? You mentioned those older people at higher salaries; would they command a higher salary than, say, a new worker starting in there?

Mr. Birrell: Well, that would depend whether the plant was unionized or not, I guess.

Mr. McGuigan: Well, assuming that it was unionized.

Mr. Birrell: Would they command a higher -- no, I would think that if they were hired at that plant, they would have to go in there under the wage rates that prevailed at the time. No, we're not asking--

Mr. McGuigan: The fact that they have seniority, does that bring them in at a much higher--

Mr. Birrell: No, not necessarily. No.

Mr. Gillies: We all know what the problem is. My father lost his job in a factory after fifteen years in his late fifties, and it is just so difficult for people at that age to find other employment.

Mr. McGuigan: I appreciate that.

Mr. Birrell: No, no. I don't see that as being a

major problem, no, the salary or the hourly wage, no. I don't see it being a problem.

I just think that they just don't want any of us at the new plant.

Mr. McGuigan: Well, the entire building, as we sort of gathered from you talking and the Goodyear people, and we all see those tires that they offer for sale with "reject" stamped on the side...

Mr. Birrell: They don't sell them anymore.

Mr. Gillies: They don't?

Mr. McGuigan: Well, anyway, there is a big loss of tires due to not being good quality. It seems to me, an older worker with experience is going to turn out better quality than a new one; or is that not the case?

Mr. Birrell: Well, I'll ask brother Lang to answer. He's been a tire builder for many, many years.

Mr. Lang: Like they were saying earlier, it's something you can't do all your life.

Mr. Birrell: No.

Mr. Lang: Well, I mean, there is the burn-out factor. I spent twenty years at it, and I had to get off because it was either kill myself or get off. So, I took the better of the two choices. I mean, a lot of guys in there don't because of the good money, and they just keep doing it and doing it until they -- until you get a hundred or two hundred guys that got bad backs.

Mr. McGuigan: There is a lot of heavy lifting?

Mr. Birrell: Oh, yes. We just had one fellow who had retired there a couple of months ago, and he had something like thirty-two years service, and he had built tires for all of those forty-two years. Now, he was the kind of guy who paced himself, but everybody can't do that. And figured he had built over a million tires in his time at Goodyear. But he's the exception rather than the rule.

We have a lot of people - ten years at the most - that they worked on that job, and they have to get off into something, maybe not necessarily lighter, but a much slower pace.

Mr. Gillies: What about the environmental chemical situation within a tire plant?

I read one article in the package equipments that

were given us, in which one of the tire workers was saying that it didn't matter how carefully one showered at the end of the day that the black soot from the rubber, and so on, was just almost impossible to get off. I wonder if there's any -- on the long term?

Mr. Birrell: It's not as bad as what it used to be. Before they used to ship the carbon black in bags. And of course, guys got -- paper bags got busted open, and there's people there that handle those bags. But it comes in hopper cars now. So, it's just sucked up into a big tank, I think, now.

And yes, we used to have guys come in and complain that their wife's bitching and complaining about the sheets being black all the time because no matter how hard you scrubbed, you would never get it all out of your pores.

I don't think we should have a major problem with carbon black. There are some things surfacing now. It's too bad we didn't have that safety guy here; he could tell you a heck of a lot more than I could have.

But they are doing a study right now on bladder cancer, and there's been a number of cases surface with bladder cancer. And, of course, we're preparing a brief to go before the Workmens' Compensation Board.

Mr. Gillies: Now, have the incidence of bladder cancer been traced to any particular substance in the tire plant?

Mr. Birrell: Yes. I couldn't tell you the name - it's about that long - but there is a chemical there. They don't use it anymore. It's not there anymore. But there are older workers who have--

Mr. Gillies: --long term.

Mr. Birrell: Yes, long term, twenty or more years. So, we worked on the Ontario workers -- down in Hamilton, the clinic. Stan Ray, I think--

Mr. Lang: They are going to come into our place, into the union hall and do tests on guys from now until the end of the contract in case there's anything that we don't know about. And we don't want guys to go out there and retire or quit and find out five years down the road that they got bladder cancer or anything else.

So, the Ontario Workers' Health Claim is going to come in.

Mr. Gillies: It's somewhat out of the mandate of

this particular Committee.

Mr. Lang: No, no.

Mr. Gillies: I don't know if other members would agree that when Mr. Gray is finished with that report, I would very much like to see a copy of it.

Mr. Lang: The Ontario Workers' Health Claim is funded by the local union, if it's any help.

Mr. Gillies: Thank you, Mr. Chairman.

Mr. Chairman: Mr. Hennessy was next, but just before he gets back to his chair, do you know what the average age of the hourly rate of the workforce is at that plant?

Mr. Birrell: I don't have an average, but it's a real split now. You could see the number of employees who have under ten years of service equals 581. So, that means that a fair amount of young people are in there.

In the fourth floor, the radial tire room, I would say the average age is twenty-six. That's where the real hard slugging goes on. No, I don't have an average right now.

Mr. Chairman: You don't know the average seniority?

Mr. Birrell: Sometimes there's a real cross-section of age groups.

Mr. Chairman: Mr. Hennessey.

Mr. Hennessey: No, I just wanted to say "hello" to you. Seeing as you asked, I'll pick up on the same question as Mr. Pierce and I were discussing this morning, that is that it seems very, very odd that you know your job is going to be terminated and you've got that sort of a pension or a plan that you worked all your life for and it's very, very difficult if you've got eighteen or twenty years, and if you have a job within maybe one day before the plant closes. And if you happen to take that job, everything goes out the window. At least there should be some kind of a settlement one way to give you something to look at.

But I find that not being fair, because nobody that's going to be laid off or terminated, if they have a family -- as you mentioned yourself -- they are not going to go out and look for something else. If they've got a mortgage on the home. If they don't pay that mortgage at the end of the month, then they don't have that home or a car or whatever it may be. And there's a lot of people

that operate that way today. It makes it very, very difficult for a person faced with that dilemma.

They are saying, "Well, I've got a good job" -- as you mentioned the others said -- "but I'll loose this." And then they get home and they discuss it at home - him and his wife - and it's a very, very difficult decision to make. And the only person that profits out of that is the company.

Mr. Birrell: That's right. I should, Mr. Chairman, mention this morning about the number of workers that leave or retire at the end, and it's going to effect - obviously, it's got to have an effect - all the way down the line.

And they've contended right from the announcement of the plant closing that they would not lay anybody off; they would try to keep the plant running until May 31st or a couple of months after.

Now, I might be wrong, and it's just speculation on my part, there's been a rocky history of labour relations in the plant in Valleyfield in Quebec. And their contract just happens to come open in June. Now again, I say it's just speculation on my part, but I suspect that the reason they want to keep the Goodyear New Toronto plant going until May 31st is because of what's going to happen in Valleyfield in June. Again, I don't know what is going to happen.

Mr. Pierce: Are these your fellow brothers?

Mr. Birrell: No they are not. They belong to a different union. They used to belong to our union. And the last contract, they had a six-month strike down there.

The Chairman: Ms. Grier. The Member for Lakeshore.

Mrs. Grier: You told me last year about what the company could have done to ease the -- you know, what legislation could perhaps be in place that would make it simpler. I mean, we've all talked about notice and justification.

And I, like you, have heard over the years, every year, the rumour that Goodyear is going to close, and we all tended to ignore it because it hadn't happened.

During the restructuring since '81 and the changes that they made in '83, and also through the Goldsmith thing, was there ever any indication given to you that, "Well, now we've laid to rest the closure of the New Toronto plant." Or, on the other hand, did anyone ever say to you, "If we don't do this, we will close the New Toronto plant."

Mr. Birrell: Well, like I said earlier, it's always been... And in talking to previous Standing Committee members and previous presidents of the local union and probably, I think, every Bargaining Committee and any union goes through this. They always say this: Well, in order to keep the plant viable we have to do this, this, and this.

But, no, I don't think there's any indication on their part that, "Okay, now we've done all this good stuff in the plant; we've got maybe another ten years or another five years". No, they never. They said, in order to keep the plant viable we had to do this, but they never ever put any time factor on it whether it would be good for another five years or ten years or whatever.

Mrs. Grier: But after the Goldsmith takeover was defeated, the telex came through saying, "Aren't we all great Americans?" Or something like that, anyway. Yes, this went to the Canadian employees in New Toronto:

"All can take great pride in demonstrating that we and other Americans value the industries built up over many years with hard work and dedication and won't stand idly by when they are threatened. In my opinion, the sight of whole communities rising up against an unwarranted take-over attempt was the major factor in Goldsmith's decision to sell out."

And with this encouragement, was there any feeling that you were going to be there for longer than the four months that preceded it?

Mr. Birrell: When this thing came over the teletype, it was like a big cloud had been lifted from over the plant and everybody felt it. There was a good feeling in the plant. Everyone was still going to continue working, and then "boom" the next day they told us we were gone.

Mrs. Grier: Did that make it even worse?

Mr. Birrell: Of course it did, because we went from euphoria to--

Mr. Wildman: --despair.

Mr. Birrell: Right. And no, really, no indication up until that time that they were going to close it, apart from all the speculation over the years.

Mrs. Grier: In talking about the pension and the severance situation, you made some reference to Bill 170. And as you know, I presented the petition to the Legislature signed by over a thousand of the employees

asking for Bill 170 to be dealt with. But you seemed to imply -- and I just want to clarify it -- that somehow Bill 170, because it improves the pension situation, would make the severance pay situation worse.

Mr. Birrell: Well, because I think it's a two year thing there, that after two years, you would be entitled to a vested pension. That obviously would effect some of our people, because in our contract it says if you're entitled to a vested pension you--

Mrs. Grier: You don't give up--

Mr. Birrell: --you are not entitled to severance.

Mrs. Grier: But the vesting in 170 is only going to apply to those people after 170 becomes law.

Mr. Birrell: Yes, so I hear.

Mrs. Grier: So your position still is that 170 is going to be a great help?

Mr. Birrell: Yes, definitely. In fact, I should tell this Committee that if Bill 170 is passed before May the 31st, it will help a significant number of our people, over three hundred of them. And I think that's why the petition has gone up in the plant and presented, urging the Legislature to pass Bill 170 before May 31st.

And particularly reference to Section 75 of Bill 170 which changes -- it used to be ten years and age forty-five, and now it's a combination of age and service equals fifty-five. That would help a significant number of our people; they would not have to wait until they were sixty-five to get a pension.

If you were, say, fifty-four, and you had twenty-three years' service, you could wait until you had the equivalent of thirty years' service, which is a provision in the contract; and you could go back to them and say, "Okay, now I want my twenty-three year pension." Now, you would get it before you were sixty-five.

So, yes, it would help a great number of our people if the Bill was passed before then.

Mrs. Grier: Thank you.

Mr. Chairman: Mr. Wildman.

Mr. Wildman: Thank you. I would like to ask a couple of questions about the cooperation of the Committee.

In the deliberations with the federal

representatives, has there been any indication that if a particular employee or group of employees were to find work which would necessitate them relocating to some other place in Canada, is there any option for assistance for the relocation?

The reason I'm asking this is because of the recent changes in the federal level which make it less likely that a worker that is relocating can get assistance the way they used to be able to, if they're on unemployment insurance.

Mr. Lang: Not to my knowledge on the relocation, unless there's something that comes out of the committee later. Most of the things that we talked about was job retraining and that type of thing. But the job retraining is available now through the UIC offices.

We found out that they buy blocks of seats in community colleges, which anybody can go and apply for. So, that's there anyway, so really--

Mr. Birrell: We suspect--

Mr. Lang: --that's no help to us. About the relocation, it's never been brought up.

Mr. Wildman: That may obviously not be as important an issue in the Golden Horseshoe in Toronto as it is in the area that I come from, which is Northern Ontario. And if we are in a one industry town, and if the industry shuts down, it means you're likely going to have to move in order to get another job.

And in my area we have a major lay-off taking place, and the committee there had to really fight to get acceptance from the federal government for relocation payments of workers who want to move to another location.

All right. This morning I tried with Mr. Buzby to get some indication of what changes in future might help workers faced with mass layoffs. Now, this Committee is charged with the job of making recommendations to the legislature for changes in legislation, not only that deal with your situation and other situations in Ontario today, but which will decide what, in future, companies should do for their workers. And considering your experience, what would be your reaction to a requirement that companies not only be involved in the committee as you are to May 31st, but actually have a responsibility to assist in obtaining employment opportunities for the workers beyond the shut-down date?

Mr. Lang: Well, the committee is set up to run for as long it's needed.

Mr. Wildman: But the problem is you don't have any possibility of pay. So, as far as I'm concerned, it's not really set up in terms of the company, obligations -- set up to operate in any kind of serious way.

Mr. Lang: Well, the money that they allotted-- I mean, they didn't say that was the end of it. But, I mean, they didn't say there would be more either. They are saying, I guess, the cash flow of the company is just not there. And this is the thing we keep hearing when we bring up anything about severance awards or any monies at all, it's cash flow.

Holiday pays we asked to be dated before the ending -- closing -- and cash flow was a problem, and everything seems to be the problem.

Mr. Wildman: What about other than what's available through Employment & Immigration buying lots of seats in community college programs? Do you think that companies should be required to provide or to match government funding for any kind of retraining programs?

Mr. Lang: Well, they should be made to do it.

Mr. Birrell: I certainly think -- just to answer your first question there -- I certainly think they should be obligated after that plant is closed and the committee is still functioning that funds should be provided to keep the committee going. And we suggested that our people in the committee should be paid the union rate. We have a union rate that we use for people who took time off for union--

Mr. Wildman: For union business?

Mr. Birrell: Yes. And they were kind of taken aback by that and didn't like the idea at all.

Mr. Wildman: Like you guys today would be paid because you're on union business.

Mr. Birrell: Right; right.

Mr. Wildman: And you're saying that they should be prepared to do that for the committee?

Mr. Birrell: Certainly, yes. Al just told me about what the plant manager said about that after the plant closes that our fellows on the committee should go on UIC, and the company would throw them a couple of crumbs afterwards. I can assure them that that's not going to happen.

Mr. Hennessy: Put some butter on the crumbs.

Mr. Wildman: Okay, fine. Thank you.

Mr. Chairman: Mr. Pierce.

Mr. Pierce: Thank you, Mr. Chairman. Can you give me just a brief background of Goodyear. Will there be something of Goodyear left along Lakeshore after this closing for protection of the plant?

Mr. Birrell: Local 232 consists of actually three different units. The main part is, of course, the main plant and the Central Distributing Warehouse, which is just up the road on Kipling Avenue, that's where the bulk of our membership is.

We also have two other contracts with the company. One involves the service stores, the Goodyear Go Centers. The mechanics and the tire men who work in those stores belong to our local under a different contract.

We also have a small retraining operation which is not too far from the main plant either, and there are about thirty-odd people working there.

So, there will still be, as far as the main plant goes, there will be the Vitafilm operation, which I think we talked about this morning, and the warehouse. They will still come under the main contract, and then we've got the two other contracts.

Mr. Pierce: So, that will leave you with how many members then?

Mr. Birrell: In Ontario, counting the stores and and the retail, approximately three hundred.

Mr. Pierce: About three hundred.

Mr. Birrell: About three hundred, yes. We were obviously quite happy to hear them say they were going to leave the Vitafilm part of the operation there because that involves approximately--

Mr. Poirier: There's no cross-bumping between the three units, like by seniority?

Mr. Birrell: No, no. Because the contracts are completely different.

Mr. Poirier: Do you have any idea what Goodyear is going to do, and I know they didn't give us any idea this morning what they are planning on doing with all the equipment and everything that's in the building. Are they

going to level the buildings; do you have any idea?

Mr. Birrell: That's our understanding.

Mr. Pierce: Has there been any discussion as to--

Mr. Birrell: Mr. Buzby mentioned something this morning about maybe taking all the equipment out and selling the building to somebody, I don't know.

As far as we know, it's going to be torn down. They had people down around looking at the building, I guess Tepperman or somebody like that had been in, Tepperman Wrecking.

Mr. Hennessy: Who did you say was looking at it? Tepperman?

Mr. Birrell: No, I said Tepperman Wrecking has been in it.

Mr. Hennessy: Did they shake hands with you?

Mr. Birrell: Somebody like that might be looking it over.

Mr. Pierce: I asked a question this morning about the potential or possibility of Goodyear building another plant, and the recall rights that were available to employees. And obviously, you have been into that discussion with them on numerous occasions, and there hasn't been anything that's very encouraging with respect to a new plant and recalling employees of the old plant.

What are your recall rights under the present agreement now?

Mr. Birrell: If you don't take a severance award, you get recall rights up to five years.

Mr. Pierce: If you don't take a severance award.

Mr. Birrell: If you don't take a a severance award which leaves you almost nothing.

Mr. Pierce: If you take a severance award--

Mr. Birrell: It severs your connection with the company, and that's it.

Mr. Pierce: So, if you--

Mr. Birrell: Now people can take the lay-off, and they did allow them to accumulate seniority up to two years. And they would be subject to recall if they were on

lay-off.

Mr. Pierce: They could accumulate their seniority up to two years and that would be extended to a five-year recall rate?

Mr. Birrell: Yes.

Mr. Lang: Service doesn't continue after.

Mr. Pierce: No, no. They just accumulate seniority, but they have a five year recall.

Mr. Lang: Right.

Mr. Wildman: What are they going to recall you for, to level the building?

Mr. Birrell: I guess you could be recalled to the warehouse.

Mr. Pierce: Or the possible reconstruction of a new plant. And if that construction took place in two years from now, would those people have any rights to recall?

Mr. Wildman: You don't have credibility; do you?

Mr. Birrell: No.

Mr. Lang: Recall rights are only to the Metro Warehouse and existing plant. If it's built other than 3050 Lakeshore Boulevard, there is no recall rights.

Mr. Pierce: I see, okay.

Mr. Lang: I wish there was.

Mr. Pierce: In your discussion with the federal government, what happens to UIC benefits in respect to severance pay?

Mr. Lang: Oh, that's another ball of wax. I don't know whether you are aware of the Collingwood shipyard settlement that they made.

Mr. Pierce: Not really.

Mr. Lang: They struck an agreement with the UIC in Ottawa that the severance award would be allotted to a one-week pay cheque, and you wouldn't be penalized after that.

We're hoping to get the same agreement with the UIC in Ottawa. If not, then we're going to have to wait out all our severance award until its run out as weeks' pay

until you can go after UIC We're hoping to get that.

Mr. Pierce: Let me ask you a couple of questions about your Adjustment Committee. Within your Adjustment Committee structure you have a process that allows you to go beyond your employees and go into the home to provide some form of adjustment for the wives or counselling, that type of thing?

Mr. Lang: Yes. That's been set up with the--

Mr. Birrell: --Labour Community Services through the auspices of the Toronto Labour Council and the United Way.

Mr. Lang: And they're in the process now of training our own union counsellors to help the employees and their families with stress and that type of thing.

Mr. Pierce: What I'm suggesting is that there could be some money available through the federal-provincial programs that would allow you, through your union or through the adjustment committee -- not through the union but through the Adjustment Committee -- which is made up of federal, provincial, union and company people which is presently in your structure now, to hire -- Well, you're in debt to the provincial people for some reason.

Mr. Birrell: Maybe I should just tell you what kind of a structure we have right now. We have approximately twenty people in the plant who have been trained as union counsellors to deal with stress, alcoholism, you name it.

Mr. Pierce: Okay, all right.

Mr. Birrell: We could never get the company to accept our program. When Flemming and Webb came along, it was like a breath of fresh air. I give them credit for that. We went to them with our program, and they accepted it in its entirety; they never changed one word, which is pretty unusual.

-They also took all of our stewards and all of our area managers off-site for two days just to fill them in on what the program was all about, which was really quite a dramatic change in Goodyear's attitude towards that kind of thing. And they spent approximately \$80,000 doing that.

So, the Committee of Union Counselling was set up of which I was the head, and we have trained people in the plant to handle that kind of thing. In fact, they are meeting right now. They are having a stress course on how to deal with stress and how to talk to people about stress.

But when the committee was set up, we requested the committee that they talk to Labour Community Services, a

guy by the name of Don Scottdale who heads the Labour Community Services, and he has been talking to Clarkson - who is the government guy - and Clarkson has agreed that Don and his people will come in and help people in that regard as far as stress and stuff like that goes. And that's happening; that's going on. And I'm going to be the first candidate.

Mrs. Grier: The point is that it's there because of the structure they have, not because anyone required it to happen.

Mr. Pierce: Well, I should say that there is a mechanism there that allows it to happen as well -- even if it's not there.

Mrs. Grier: We weren't aware of that, and I think that's unfortunate.

Mr. Pierce: It can be built into it. In fact, I can tell you in our situation where we hired through the -- I'll give you the name of it, the address is Manpower Assistant Planning Program -- and we hired what they called a "transition counsellor". And she was available -- and I say "she" because it was a lady that held the job -- she was available as a resource person to see anybody that was having a problem in respect to the plant closure.

I think it was exceptionally worthwhile because prior to that everybody thought that the only one that you had to be concerned about was the employee that was being laid off. But it goes much further than that. It goes right into the home. It goes to the spouse. It goes to the kids. Because all of sudden they don't have what they used to have yesterday, because their dad is no longer working or he's not going to be working in six months from now.

So, there's a real transition that takes place right within the whole family. In fact, the father may find himself getting a job that's thirty miles away, so that there's extra time taken out of his life.

Mr. Birrell: We've already had some fall-out from those things. We've had one fellow who had a pretty serious nervous breakdown. And I doubt he'll ever work again.

Mr. Pierce: Alcohol and drug abuse will creep in so fast that it will make your head spin, as you probably already found out.

Mr. Birrell: Yes.

Mr. Pierce: Where there used to be six guys going across the street to the bar, there's sixty now. And

instead of staying for an hour, they stay for six hours.

Mr. Birrell: You know we have a bar in our union hall, and--

Mr. Pierce: I've read in those reports that even the bar owner may require some transition counselling.

Mr. Wildman: Could I ask a supplementary?

Mr. Chairman: It's up to Mr. Pierce.

Mr. Pierce: Oh, certainly.

Mr. Wildman: Can you tell us the make-up -- you probably did before, but I missed it -- the make up of the committee; that is, who besides the union reps are on it?

Mr. Birrell: We have three people -- Well, actually four people. I sit on the committee too when I can get there. We have four union and four company.

Mr. Wildman: And then the federal--

Mr. Lang: And the federal which is Clarkson, and the reappointed independent chairman.

Mr. Wildman: Who is that?

Mr. Lang: Ray Morris is his name.

Mr. Wildman: Where is he from?

Mr. Lang: He's a retired executive of some sort.

Mr. Birrell: I think he was involved in the printing business quite a bit.

Mr. MacKenzie: Can I suggest that we have our researcher take a look at -- I think, it's Bill 128. I have a distinct impression that we passed a piece of legislation here and are waiting to see whether or not the feds will challenge it -- I don't believe it has been -- that deals with the severance pay being paid in the first week versus the following to prevent the loss of UIC And I should be more up on it, but I knew that we had -- the government had brought in a Bill on this, and I think it has been passed, and we should check it out.

Mr. Lang: We brought that up to some local UIC people that we talked to at the Employee Assistance Program, and they said provincial law has got nothing to do with the UIC. So, that's the way they put it to us.

Mr. MacKenzie: We're going back to Ottawa and see if

the Ministry of Labour also said they were prepared to go to court on it. So far it hadn't been challenged. I think we did that. And so, it's a question of whether or not it has any value, that the Bill we passed -- I think it's Bill 128.

Mr. Gillies: Mr. Chairman, my recollection is that the Bill did pass unanimously before Christmas. The effect of the Bill would, in fact, have been to make these monies such that the feds couldn't apply the offset. It remains to be seen what the practical effect is, but it was an effort on our part to eliminate that problem.

The Chairman: Anything else, Mr. Pierce?

Mr. Pierce: I just have one other question -- and you don't have to respond to it -- but I'm interested in how long you've been off the piece work and on to the daywork?

Mr. Birrell: We never got there.

Mr. Pierce: You never got there?

Mr. Birrell: Never got there, no. There are a number of jobs on daywork in the plant, yes, but we never reached that point.

Mr. Pierce: That's all I have.

The Chairman: Thank you. Mr. Offer.

Mr. Offer: Thank you, Mr. Chairman.

Mr. Birrell, I would like to carry on, I think, the line of questioning Mr. Wildman previously asked, and I think it also came out in the supplementary which was just asked. It has to do with the Committee.

In this particular matter, you were brought into the Akron meeting in October of last year, of '86. Prior to October of '86 you were aware through -- I would ask if it was informal means -- that there was this Goldsmith matter going on?

Mr. Birrell: Where we got the information was through the teletype in the plant.

Mr. Offer: It was not through company itself?

Mr. Birrell: Yes. Yes, it was. They would teletype bulletins every so often up into the plant.

Mr. Offer: Were there meetings of any nature prior

to the October meeting dealing with what was going on, apart from being given this teletype information?

Mr. Birrell: You mean between the company and the union?

Mr. Offer: Yes.

Mr. Birrell: Well, we met on normal matters, and we would discuss it informally. But no, there was no -- As a matter of fact, the people at the plant, the plant manager, and the personnel manager -- really didn't have that much knowledge about it. When Goldsmith finally declared himself, we began to get a bit more information on it, but we really didn't--

Mr. Offer: For a fair bit of time today we have been discussing a lot of the negotiating that's now going on between yourselves and the company and the federal government -- the provincial government has been brought in in some way -- dealing with the problems. And I'm not in any way, shape or form trying to down-play that. But what I would like to do is get at, not so much the items that you are negotiating, but rather, in this experience, can you give us any suggestion as to when you would like to have seen these particular matters started to be discussed. I'm not talking about the particular matters, but rather the forum for discussion, and how, if there was to be a group of people using your experience in this matter, who should be in that group so that you would not have to go through different areas to find out different pieces of information.

In other words, if you had to sit around the table, who, in your opinion, should be at that table? And the reason I'm trying to get this information is that, yes, we're using hindsight; and it's after the fact -- but the hindsight in this matter might be foresight for some other matter. And I'd like to get from you and from this experience what type of forum, what type of committee, who the participants should be in the committee that could possibly most effectively look after the type of questions and the type of concerns and the type of items that you are negotiating?

Mr. Birrell: Now, are you talking about plant closures, or are you talking about the severance in pension thing or the whole ball of wax?

Mr. Offer: I'm talking about the whole ball of wax. I'm not talking about those particular items.

Mr. Birrell: Well, obviously, I would say if it's a unionized place the union has to be involved; management has to be involved, and government has to be involved,

obviously, people in the community too because this plant closure is going to have a - as Ruth probably knows - a devastating effect on the Lakeshore community.

Mr. Offer: So, what you're saying, is that from all three levels of government?

Mr. Birrell: Yes. It would have to be.

Mr. Offer: Community also, all union and company representatives?

Mr. Birrell: Sure. I think we have been more than willing to sit down with the company. If the problem had arisen, say, three years ago, and they said, "Look, we're in trouble," we have to do something about that. Can we sit down and try and work something out?"

Mr. Offer: If there was this type of structure, keeping your particular example in mind, when would you first like to request that they all sit down?

Mr. Lang: It's kind of hard to say, because --

Mr. Offer: I'm just asking generally.

Mr. Lang: If they're saying they are going to close down, I mean, it's too late then. They are not going to go back to you in six months and say, "Well, we might close down." It's kind of --

Mr. Offer: Well, I know that the question is somewhat fuzzy, but there was something going on with the company -- I'm talking about the Goldsmith matter -- that the company was keeping you informed of, and all you were doing was being kept informed. You were having some informal, "So how's everything going," type of information.

But is there something more that could happen, that should happen, from your experience?

Mr. Birrell: Well, obviously what should happen is the law should be changed so that people like Goldsmith can't do what he did. Like, I mean, I have no knowledge of the stock market and how it operates. I don't have enough money to play the stocks and bonds. But I really don't know what you could have done in the Goldsmith situation, because it basically happened in the States. And we were the fall-out from it.

Mr. Offer: Okay, thank you.

The Chairman: Three members have indicated that they all wanted short questions. MacKenzie, were you still on that? Okay. Mr. Hennessy?

Mr. Hennessy: Just a very short question. I remember this morning I asked the same question: Why wait until the third strike is over the plate and then decide you're going to come to the government? I mean, you should have done it three years before if you knew there were problems. That's the time to go to the government. As you said before, have a joint meeting of the union and the municipalities, whoever is involved, and then try and resurrect the company at that time or have a new plant three years down the road. But to say that everybody seems to wait until they are going down the third time, and then they come to the government.

They know what the condition is of the company better than anybody else does. And they know that that is a good gesture, but it's not going to do anything. It's better they come, as you said before, three years before, and say, "We may have problems down the road; we would like some help now." That's the way to do things. And I think they have got to take the union into it and discuss it -- that's why it's a joint venture -- and discuss the situation along with the government. That's what I'm concerned about.

I'd like to see, looking at prospects that would bring in something that would look ahead, not wait until somebody gets up in the House and makes an announcement that there's so many sawmills closed, there's so many lumber workers out of work or paper makers. It doesn't do anything because it's after the fact. Management made up their mind about what they are going to do. We're the last to know about it. I think it should be done with more planning in the future.

Mr. Birrell: I know it's not going to help us any, but it's obvious that the whole tire industry in Canada is going to be in trouble because the only new plant really that -- there are only two fairly new plants. There's one that Goodyear has in Valleyfield, and I think Firestone has a fairly new one in Joliette in Quebec. And all the rest of the plants, the Firestone plant in Hamilton, they threatened to close it in the last round of negotiations.

The Goodrich/Uniroyal plants in Kitchener are old. The General Tire plant in Barrie has been in trouble for quite a long time. So we're only the first one, and I think it's going to happen to many, many others.

The Chairman: The calls for a planned economy are sweeping the nation. Mr. Wildman.

Mr. Wildman: Just in that regard, I wanted to raise a question. Mr. Buzby talked this morning about the need for all -- and I'll use the term "social partners"--

Mr. Birrell: I'm quite surprised at that.

Mr. Wildman: --to be involved.

Mrs. Grier: Define what he means by that?

Mr. Wildman: Well, my impression was he was talking about workers in the company, the community, and government. Maybe I'm reading too much into what he was saying. But Mr. Pierce and I were involved in another Committee which looked at one-industry towns in Northern Ontario, and there were a number of recommendations there. One of them was for a commissioner of some sort to be set up to deal with industries in one-industry towns.

And one of the things that that commissioner might be responsible for in those kinds of situations, would be negotiating planning agreements with companies in which the company, the community, the municipality, the union or representatives of the workers. And the provincial government would be involved, not when they are phasing out only but also when they are starting up, as to what the company foresees its plans to be over a period of time.

Now, obviously, they would have to be flexible because things could change, markets could change and so on. Not just workers -- which obviously is important -- but also the community and the provincial government have some idea of what kind of infrastructure is needed, and what the effects are going to be in the community of this operation, and what it's doing - whether it's expanding or contracting.

Do you think that kind of ongoing communication between company and union, and company and the community and government, would have been useful to you in a plant that has been threatened for some time with possible closure?

Mr. Birrell: I certainly do. I think that's something that should have been happening a long, long time ago. Like I said earlier, I worked there for twenty-three years and it has always been rumoured around in the plant, "Oh, it's going to close; it's going to close," you know. And probably if there had been some kind of a set-up like you mentioned, maybe we could have worked something out.

And I just came back from Britian last Friday, and my brother-in-law works in the coal mines over there. And looking at the severance that they get and what is offered by companies over here, there's just no comparison. Some of those people walked away with over 35,000 pounds plus a weekly wage, to boot, to tide them over until they are sixty-five. Now, our friend Mrs. Thatcher is going to

change that in March, I understand. But it is a much better set-up than what we have here. I really didn't have a chance to study it in detail but just a few details I got.

The Chairman: Why would she change it?

Mr. Birrell: Well, apparently the weekly wage part is going to be taken away and there's going to be a cap on the severance - or "redundancy" as they call it over there.

Mr. Wildman: Can you tell me if the plants that are being closed in the U.S., are you aware if they have been offered anything different from what you have been offered?

Mr. Birrell: We were in contact with our sister plant in Cumberland, Maryland. We talked to the union people down there and, of course, their laws are much different down there. But as far we know, no, they will not being offered anything different from what we've been offered -- if they've been offered what we have here.

Mr. Wildman: Are you basically saying to me that that company is complying with the legislation of whichever jurisdiction they are in and not giving anything more than they have?

Mr. Birrell: Yes.

Mr. Lang: That's the way it stands now.

Mr. Birrell: Now, we haven't been in contact with them for about a month. We should be getting in contact with them again very soon.

Mr. Wildman: Well, obviously if the company is going to operate that way, we should improve what is required under the law.

Mr. Birrell: Like I say, I don't know what the State of Maryland provides as far as severance and that goes, but I think we're much better off up here than what they are down there, by the sounds of it.

Mr. Lang: Because if we hadn't had what is in the Ontario law now as far as the one week per year of service according to our contract we wouldn't be given anything.

Mr. Wildman: Thank you.

Mr. Chairman: Thank you, Mr. Wildman. Any other questions and comments from members? If not, Mr. Birrell and Mr. Lang, thank you very much for appearing before the Committee; it has been very helpful.

Mr. Birrell: Thank you.

Mr. Chairman: Most of the members here will reconvene at the Toronto airport on Monday afternoon and away to Windsor, Ontario. Any questions or problems? The kits have been distributed with tickets, et cetera, to the members.

Okay, we are adjourned.

The Committee adjourned at 3:53 p.m.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

PLANT SHUTDOWNS

MONDAY, MARCH 2, 1987



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

Bernier, L. (Kenora PC)

Gordon, J. K. (Sudbury PC)

Mackenzie, R. W. (Hamilton East NDP)

McGuigan, J. F. (Kent-Elgin L)

McKessock, R. (Grey L)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Wildman, B. (Algoma NDP)

Substitutions:

Bossy, M. L. (Chatham-Kent L) for Mr. McKessock

Ferraro, R. E. (Wellington South L) for Ms. E. J. Smith

Gillies, P. A. (Brantford PC) for Mr. Stevenson

Hennessy, M. (Fort William PC) for Mr. Bernier

Sterling, N. W. (Carleton-Grenville PC) for Mr. Gordon

Clerk: Decker, T.

Witnesses:

From the Canadian Manufacturers' Association:

Williams, D., Chairman, Labour Relations Committee; Manager, Industrial Relations, Stelco Inc.

Shantz, A., Member, Labour Relations Committee; Director, Contract Administration, General Motors of Canada Ltd.

Keenan, J., Member, Labour Relations Committee; Director, Labour Relations, Noranda Inc.

From the Canadian Organization of Small Business Inc.:

Hale, G., Vice-President

From the Ontario Chamber of Commerce:

Sanderson, J. A., President; Vice-President, Corporate Affairs, CP Trucks

Yeoman, R., Chairman, Resources Development Committee; Vice-President, Corporate Development, Brascan Ltd.

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Monday, March 2, 1987

The committee met at 2:05 p.m. in room 151.

Resuming review of announced closures of manufacturing facilities in Northern Ontario.

The Chairman: The Resources Committee will come to order.

We have what can best be described as a heavy afternoon so I think we had best get started. Just before we do, there are a couple of items. Members have had distributed to them the agenda for today plus some work that Albert Nigro has done, the Research Officer; one on the situation in France and the other -- in order that we do not have to go there, so we owe you a great debt, Albert -- and the other dealing with the Employment Standards Act, Bill 128.

Next week, as members know, we are dealing with the Workers' Compensation Board and all of its exotic intricacies and there's been a request already from the Minister's Office that rather than starting on next Tuesday at the regular scheduled time, which I think was ten, that he would appreciate it very much if we could start at nine that day. I certainly have no problem with that.

Is there any problem with members starting at nine on the Tuesday?

From the Floor: No.

The Chairman: All right. Then we will inform him that nine is okay for next Tuesday.

And also has been distributed - or if it's not, it will be shortly - the agenda for next week which is a very heavy week as well.

All right. Let us proceed with today's schedule. We are to hear this afternoon from the Canadian Manufacturers' Association, the Canadian Organization of Small Business and the Ontario Chamber of Commerce.

That is a lot in one afternoon and I guess it has become almost automatic to apologize to groups for the shortness of notice and for the short length of time that we can deal with each presentation, but that is the only way we could hear from as many groups as we felt it was necessary

to hear from.

So the first group is the Canadian Manufacturers' Association. If they would take a seat at the end table we could proceed. And a copy of the submission has been circulated.

Gentlemen, welcome to the Committee. We appreciate your presence here and look forward to hearing from you. Would you proceed and introduce your colleagues.

Canadian Manufacturers' Association

Mr. Williams: Mr. Chairman, thank you and we're pleased to be invited to attend this afternoon and to make some comments which we hope will be constructive and certainly convey the views of the Canadian Manufacturers' Association on this most important topic.

I think I would like to indicate at the outset who my compatriots are and introduce them to you. On my right is Mr. Al Shantz who is Director of Contract Administration for General Motors of Canada, and on his right is Mr. John Keenan, Director of Labour Relations for Noranda and my name is Dave Williams. I'm Manager of Industrial Relations with Stelco, currently the Chairman of the CMA Labour Relations Committee and all three of us are members of such Committee for this coming year.

We have prepared a submission which we have tabled with you and with your indulgence we would propose to hopefully quickly read through it and perhaps use that then as a basis for any discussions amongst us.

Just to give us all something to do, I'll read through the first part of it and then each of us will take part in the presentation.

The Ontario Division of the Canadian Manufacturers' Association welcomes the opportunity to present our views to the Standing Committee on Resources Development as it considers this issue of plant closures.

In this Submission, we propose to comment briefly on several matters relating to plant closures, including the economic adjustment process, the circumstances behind most plant closures and the issue of ensuring long-term job security and employment growth. Simply stated, the central thrust of this Submission is that closures are part of a dynamic adjustment process under which declining and uncompetitive industries give way to growing industries. Ontario is clearly and net beneficiary of this process. It would be very unfortunate if, in a desire to preserve old jobs, we create an environment that discourages the creation of new, expanding industries in this province.

THE ADJUSTMENT PROCESS

The one constant in a modern industrialized economy is change. One aspect of this change is the movement from declining to growing industries and from old to new jobs. Some indication of this dynamic process can be seen from the following figures. According to the Ministry of Labour's Plant Closures Review and Employment Adjustment Branch, the number of jobs that were lost in operations coming under their jurisdiction over the past five years were as follows:

1982 - 46,047 employees in 235 establishments.
 1983 - 17,213 employees in 120 establishments.
 1984 - 14,824 employees in 122 establishments.
 1985 - 13,902 employees in 116 establishments.
 1986 - 13,503 employees in 93 establishments.

During the same time period, approximately 150,000 jobs were added to Ontario's economy EACH YEAR. From September of 1985 to September of 1986, the rate of unemployment went down a full percentage point in this province (from 8.1 to 7.1 per cent). A similar decrease in unemployment is expected in 1987.

The net employment benefit that Canada reaps from this dynamic adjustment process is evident. The real question should not be how to prevent or try to impede this process, but how to facilitate it. We should be looking for ways to encourage growth industries in this province, while at the same time assuring a community based form of assistance to those dislocated in the process.

THE DECISION TO CLOSE

The decision to close a plant can stem from a variety of factors but the common underlying reason is economic. Changing preferences in the market place, fluctuating currency rates, obsolete equipment, the discovery of cheaper, substitutable products, relatively high operating costs or the depletion of a natural resource, (to name several), all may result in an operation no longer being economically viable.

Experience shows that the decision to close a plant is not made lightly. In many cases, the company has absorbed losses over a period of several years and there has been an infusion of new money over that time in an effort to sustain the operations and turn them around.

Furthermore, in a very competitive world environment, a company must look to the long-term, as well as the short-term, viability of an operation. Over one third of Ontario's manufactured products are exported and 80 per cent of those exports go to the United States. Companies facing gradual, but irreversible deterioration in their competitive

position legitimately may decide that they must close a less profitable plant to ensure the long-term survival of their remaining operations. Closure of a less competitive plant is usually done to save jobs, not eliminate them.

Once the decision to close is made, many companies set high standards in the way they assist the employees who are going to be dismissed. Several examples of companies that have had closures, or have recently announced a closure, are included in the appendix. The arrangements made for displaced employees often go well beyond the Employment Standards Act requirements. They can include the use of outplacement services, enhanced early retirement, preferential hiring opportunities and relocation to other employer operations.

Al, would you take over.

Mr. Shantz: I'll get into the next section of our presentation, Employment Standards Legislation.

Suggestions have been made concerning the need for broader employment standards requirements in plant closure situations. Ontario's legislation on plant closures is already among the most generous in North America. Substantial severance payments are triggered upon the closure, or partial closure, of a plant where 50 or more employees are dismissed in a period of six months or less. This can be in addition to mass notice provisions that require 8 to 16 weeks notice or pay in lieu of notice where 50 or more employees are dismissed in a period of 4 weeks or less.

The Ministry of Labour must be notified in cases of mass dismissal.

SEVERANCE PAY

Any new employment standards that would add to the direct or contingent costs of an operation would deter the opening of new businesses. The impact would fall most heavily upon the small, under-capitalized companies which predominate in our manufacturing and service sectors and which account for the largest share of existing - and certainly new - jobs. Adding to the "cost-of-closing" would encourage creditors to close a facility sooner than would otherwise be the case.

With respect to NOTICE, current employment standards provide extensive notice to employees affected by a plant closure or mass layoff. The notice requirements exceed those found in most North American jurisdictions with which Ontario competes.

And I know this very well from my own industry because

most of our competitors for jobs are in the States and the people in the States with whom I deal just don't know anything about pay in lieu of notice and things like this, and in an industry such as ourselves, where it's an integrated North America manufacturing process, I can tell you from some personal experiences, that the Ontario legislation is very difficult to live with, particularly as it interplays with collective agreements where the collective agreement may require one thing and the notice requires something else and you can't satisfy both at the same time.

Many industrial cycles are so sensitive to rapid market changes that significant layoffs at short notice are inevitable. In these circumstances, employers already face very costly pay in lieu of notice obligations.

The CMA has a long standing concern with the current notice provisions in the Employer Standards legislation whereby employees with full recall rights are placed on indefinite layoff and are entitled to receive full notice (or pay in lieu), even though that employee is recalled shortly after being laid off. In fact, this anomalous situation can recur many times.

We strongly recommend that the legislation be amended to provide that for purpose of Part XII of the Act (Termination of Employment), the period of employment upon which the notice of termination is based accrues only from the date of last recall.

In addition, employers who fund a supplementary unemployment insurance program should be entitled to use the period during which SUB benefits are received as a period of notice under the Act.

I have been involved personally in situations where even though an employee received SUB, requirement to pay pay in lieu of notice on top of the SUB already received has resulted, which is substantially more than someone would earn if they were at work.

Management's Decision to Close

The Legislative Accord reached between the Liberals and N.D.P. refers to reform of job security legislation, including justification case of layoffs and plant shutdowns. We must strongly caution the government against imposing requirements that are perceived as a serious restriction on a company's ability to make strategic business investment decisions. If investors are not assured that the decision to close would be based on management's best judgment as to the health of the enterprise, they simply will not invest. Jurisdictions that try to secure current jobs by forcing companies to justify plant closures, run the serious risk of losing a far greater number of new jobs through loss of

job-related investment.

Generally speaking, investment knows no particular nationality, but rather goes where it finds the most hospitable climate. This climate involves considerations as diverse as labour forcing availability, tariff and non-tariff barriers, climate, energy supply, punitive legislation, training facilities, grants, cost of financing, labour/management conflict or political stability. The importance of these or other considerations may vary from case to case, but their composite result must be a return to the investor at an acceptable risk or the investment will not be made and the facility will not open. Those responsible for investment decisions, whether the monies is involved are their own or the pension contributions of other Canadians, will make the same decisions as would foreign investors if they perceive their investment is at risk.

And I might add once again a personal note that my particular employer, although it's a large Canadian employer, investment decisions are made outside of Canada by the parent corporation and even with current legislation, there's a tendency on our part to try to downplay some of potential the hazards of current legislation here in Ontario because we perceive that this might be a deterrent to our parent company taking risk. And any additional more onerous legislation might be perceived as putting at risk the kinds of investment which our company has been making which, as you know, has been quite substantial.

If this seems harsh, it is nothing compared to the harsh reality of the consumer - domestic or foreign. Any policies which would serve to put Canadian producers at a disadvantage in competing for domestic or foreign consumer dollars will lead us to the discovery that consumers exercise their judgment with utter finality.

The proposal also raises a number of practical questions, such as what are the ground rules for when a closure is justified and what happens where the decision is found to be "unjustified". Faced with legislation under which only "unprofitable" companies can close, couldn't a firm simply let a marginal plant become unprofitable?

John will continue.

Mr. Keenan: Good afternoon. The thrust of this Submission, as you can see, is that we feel through the CMA that a great concern that any legislation be introduced or any current legislation be further made restrictive to limit the amount of investment in this province and in order to protect really what amounts, from the statistics that you see there, to a small minority of jobs compared to the jobs that are created, that in an effort to protect and save some of those jobs, we might very easily find ourselves in the

position where we turn off the investment tap that creates the many, many jobs that we need to accommodate the growth of this province.

The question is not whether the economic adjustment process will continue, but only how. Initiatives that try to impede the process will be costly and counter-productive in the long-term. It is in Ontario's best interests to facilitate, rather than try to retard, such change.

It is unfortunate that so much attention is being focused on preserving "old" jobs and traditional practices. Attempting to provide job security by legislation that requires justification for plant closures will have exactly the opposite result. Moreover, such measures inappropriately focus effort and resource in the wrong direction - propping up failing or marginal operations instead of more productively focusing on supporting new opportunities for employment. Genuine job security comes from a dynamic growing economy that responds to the future, not to the past.

The real challenge for Ontario is to assist those affected by change to make the transition, as well as encouraging flexibility and innovation among those who could create the jobs of the future. The.

Type of transition assistance contemplated includes: Job search assistance, improved promotion and utilization of the Canadian Industrial Adjustment Service programs which provide local, on-site service delivery and enhance labour/management cooperation.

In digressing here, two points. Our own company has considerable experience in working with the Canadian Industrial Adjustment Service and I think that the record of that service in helping employees make the transition from dying industries and unprofitable companies to new and growing jobs and industries, the interest in it shown currently in the United States where there are demonstration programs based on it, I think, is an indication that in this province we have done a lot to encourage the kind of dynamism (???) and growth of new jobs that are important.

A further type of transition assistance would be to set up programs to provide more meaningful skills upgrading and retraining. There are currently bottlenecks within certain skilled trades that need to be overcome.

And here there have been initiatives through the Ministry - I believe it's still called the Ministry of Colleges and Universities - in terms of trying to bring skills upgrading and retraining closer to the needs of communities and to the province and I think it's attention to issues like this which are going to help those people who

become redundant in dying industries to cope and to contribute to the growth of the province.

In conclusion, the Association believes that imposing greater severance pay requirements or requiring companies to justify plant closures in the future would lead to a deterioration in Ontario's employment growth. Attempts to preserve current jobs in this manner would be both futile and counter-productive. Genuine job security comes from looking ahead to future jobs, not trying to prolong the continuation of tenuous, uneconomic jobs.

Efforts should be focused on assuring a community based form of assistance to those who are dislocated in the process.

Thank you.

The Chairman: Thank you, Mr. Keenan.

Any questions from members of the Committee?

Mr. Offer?

Mr. Offer: Thank you, Mr. Chairman.

I guess the first question that I have is somewhat surrounding your paragraphs on page 2. You talk about the decision to close and you talk about what I would suggest are, in many cases, some long-term or long-range issues such as preferences in the market place, which I think are probably not done overnight and fluctuating currency rates, obsolete equipment, things of this nature.

And I am wondering, keeping in mind that the decision to close is maybe, in all fairness, made on those types of decisions, more of long-term nature decisions, issues which have arisen over a fairly lengthy period of time, do you feel that there is an obligation on the part of the employer, the manufacturer, whatever the industry is, to keep the employees abreast of these particular changes? This has a real impact on the current notice provisions where really they are going into work one day and finding a slip on the door which, maybe for all intents and purposes caused by issues which have built up over a number of years. And I would like to get an idea from yourselves as to whether you feel that, with respect to these types of issues, whether there is an on-going obligation on the part of the employer to keep their workers, employees, abreast of what is happening and if so, how you would see that type of information exchange best implemented.

Mr. Williams: Well, let me offer the first response and each of the gentlemen here will offer their own comments, I'm sure, based on their experiences.

But I would say, Mr. Offer, that there most certainly is an obligation on any good employer in the province to communicate on a regular basis with its employees. And to the extent that good employers communicate well versus those who do not communicate well, there are, therefore, going to be some problems in that process. There is a distinction, however, I think between ensuring that there is on-going good productive communication on many of these types of issues and the dialogue that may or may not be expected when hard decisions made.

And I think that often there is considerable confusion that surfaces where an employer will reluctantly, but by necessity, come to a decision that in its evaluation, because of these long-term problems, there are no alternatives. I think that needs to be distinguished from the situation where there may or may not be some alternatives, many of which may involve further dialogue with the unions or organized groups of employees, as an example, and particularly there you are going to find discussions taking place.

But if I take the thrust of your question, yes, I agree that there should be communication. I think that that is happening in most instances, but when it comes time to making decisions, really I think that decision has to be made by the people who are running the operation and then equally the decision is, how to communicate that decision and how to communicate efforts to offset the impact of the closure.

Any other comments?

Mr. Shantz: I'd like to add some comments.

Sometimes changes will be brought about by changing technology, certainly. A good example would be that more and more cars don't have a chassis. If a supplier to the auto industry, Budd Automotive for example in Kitchener, built chassis and cars no longer have chassis because they're uni-body construction, then obviously that employer is going to have a shrinking market for their products or have to get into some other business.

We have had business units which have closed or been consolidated and moved out of Ontario. Wiring harness is one that comes to mind, the wiring harness business, but it was a very small non-viable kind of operation and it was all consolidated in one facility, not in Ontario. It didn't really cause much of a disruption.

But certainly if we had advance dialogue with our people as we do when we can, that's one category of events where you can see things coming and I agree with you, Mr.

Offer, that it's just good business practice, good labour relations to talk to our people, our Union representatives and so on about these events.

There are other situations though where we are at the mercy of a market place and the market place softens. We have, as I say, an integrated North American market place. Let's use our Scarborough van plant. The market softened so quickly that out of two plants, one in Canada and one in the States producing vans, we had to take off a shift of production. If the market had softened more we would have closed the whole plant. We didn't know this was going to happen. There was very little advance knowledge that the consumers were not going to be purchasing vans. You maybe aware that there's 11 plants of General Motors, fortunately none in Canada, have recently been announced will be closed partly because there's an over capacity in producing. When it comes time to make a decision as to which facility is going to be closed, it will depend on the performance of all the facilities and usually an employer will close the facility that is the least productive or where there are the most difficulties of one type or another. That's just common sense and it's a matter of, when you realize that the market is soft, you look at the facilities which are there and analyze their performance and make a decision.

And often these decisions, in the case of the automobiles, you don't keep turning them out when there's no market. You may see Chrysler a few years back when they had vehicles stocked up around Windsor like cord wood and they almost went under because of that, money tied up in inventory. You have to turn down your production very quickly when that time comes. And in those cases you simply don't have much advance time to get to your people.

And where we have had time, like in our St. Therese plant, Quebec, they were running out of product. We had time, we had about a year to work with our people to point out that unless performance was up amongst the top of our facilities, they probably wouldn't stand a very good chance of getting a new product. By working with them, their plant performance was such that they have been awarded a new product. You do these things when you can. You can't always.

Mr. Keenan: I'd like to also comment.

In the sense that one has to be very careful where one is producing a product which is used in a competitive market. If one is starting to lose one's market share and this is a growing and steadily increasing situation, so that perhaps after a couple of years one's market share has declined by, let's say, 20 per cent from what it was because of import competition or substitution, and if an employer faced with that situation if he's too public about it, may

in fact drive away more customers who may see -- and I can think of a specific example of this in the wire rope business where there is a tremendous import of wire rope nowadays, and I'm not very close to the business, but I know that there's a lot of the customers are now served by a product coming from Brazil and from Korea and other offshore countries. And this is a business where, if one's customers felt that one was losing one's ability to operate economically and meet their needs, it's very easy for them to switch.

So in fact if you're too open and frank about the situation like that, you can in fact put yourself out of business, and I think that's something that can happen in a lot of business lines. And I think every one of us would agree with, as Doug has said, that a responsible employer is going to keep his employees informed about the condition of his business. And I don't know of any employer that doesn't, unless one is faced with sudden turnarounds in demand such as Al just described. But in fact one has to be prudent about one says in this area because one could contribute to in fact driving oneself right out of one's pwm market in this situation. And there is a very fine line there.

And there's also, of course, the other fine line that sometimes -- and I am sure that the gentlemen, the three of us at this table have experienced this -- one can sit down on a regular basis with employees and discuss difficult conditions that are being faced with the business and sometimes the full impact of that is not accepted in the sense that if one is in a large multi-product type of business and things seem to be booming along but one phase of one's business is suffering and one alerts the employees that in this particular area we're facing problems, the evidence of what's going on in the plant seems to belie that: Everybody's business, stuff is being turned out.

So it's not quite as simple as just keeping everybody informed about where one stands at all times. I think we all try to do that, most employers, I think, do try to do that, but there are many problems involved.

Mr. Offer: Let me just ask a supplementary on that.

I think I understand and I think everyone on the Committee surely understands, Mr. Williams brought it out, that there are sometimes very difficult and hard decisions to make with respect to closing or reducing -- layoffs basically, we understand that. But I think what I'm trying to get at is that time period prior to the decision is made. And you indicated about the responsible employer would keep his employees, through whatever mechanism, informed but then Mr. Keenan, in your last couple of comments as everyone was talking about the responsibility of keeping the employees informed, you then went on to say: But it might be prudent

not to really indicate what is really happening because that might precipitate the inevitable.

So when one talks about the information that you're giving on an on-going basis, I have a bit of a concern when you are taking into consideration that maybe we ought not to give the full picture because it may precipitate maybe the inevitable or, secondly, it won't be understood and, you know, that's a concern that I have from that response.

My supplementary question, however, is: You talk about the responsible employer. What if something of this type of an arrangement of this informative type of procedure were made on a mandatory basis.

We heard, I think, testimony last week that on a yearly basis the employee and employers sit down and just are given an update as to what's happening in the particular plant and I'd like to get your reaction if it were -- if we were implementing a greater responsibility throughout.

Mr. Williams: Well, I think you've touched on a couple of things. The terms of mandating this type of communication, I suppose that raises the question is: How do you mandate that, how do you legislate good communication or improved communication? I'm sure you can think of a number of ways where you'd answer that question, but equally I think I could come up with a number of concerns in terms of each of those suggestions you would have.

And you've also thrown into the equation the question of trying to address the impact of layoffs. And, indeed, although it's not a central, perhaps key point in our submission, we very much would like to convey to this Committee our strongest concerns in terms of the question of trying to communicate and deal with employees affected by layoffs as contrasted with the approaches in terms of dealing with plant closures.

Right now there are some, I think, very excellent standards to protect employees in the province in terms of receiving notification on large layoffs and, unfortunately, in many cases that is causing serious problems for the larger employers in the province, and I am referring to the fact that the reference to notice on layoffs assumes termination and, indeed, any time an employee is being put on the street out of employment that is a form of termination. But you have to understand that, in many of those cases, there are significant recall entitlements to each of those employees. And full expectation is that those individuals are going to be returned to employment.

With increasing competition in North America there is more and more occurrences of where the customers are simply dictating on very short notice that the expected delivery

dates or volume of business is not going to be there, it's not going to materialize. And often that's complicated with offshore imports and other forms of competition. And so the employers in the province are now increasingly struggling - and I use that word deliberately - very much struggling with trying to comply with the existing standards on notification.

And so to talk about perhaps extending the legislation further so that there's even more notification requirements and/or communication requirements, I think is going to have adverse impact. It's going to make artificial what is in place in many cases and there's good communication, I think, in many instances. There's difficulty right now with the existing law and, quite frankly, I would be very, very concerned about any efforts to go beyond that.

Mr. Offer: Thank you.

The Chairman: Thank you, Mr. Offer.

Mr. Wildman?

Mr. Wildman: Thank you, I'd like to follow up on a couple of things and then I'd like to turn to the question of community as opposed to workers.

But just in relation to termination and recall rights, you just said, Mr. Williams, that in many cases workers are terminated in a sense but they have extensive recall rights and they have the expectation in the company - I'm reading into what you said - I think that the company expects to recall at some time. Well, I'm looking at a situation in my area that involves one of your major competitors. There are large numbers of people on layoff with recall rights which, in my view, mean absolutely nothing because they're never going to be recalled. So I would like you to comment on how we deal with the question of what is a temporary layoff and what, in fact, is a termination.

Mr. Williams: Of course, I'm not conversant with the situation you're describing and I don't know that, in fact, the chance of recall have...

Mr. Wildman: I'm talking about Algoma Steel.

Mr. Williams: Fair enough. You know, that is a difficult situation and I'm sure there are examples of this type where we can all look at the handwriting on the wall and the realities of the situation and come to some conclusions that the layoffs are going to be of a permanent nature, and no question, I think that that's what the existing legislation is intended to deal with, but where we have a concern is in terms of applying that intended legislation to the other situation; the situation of where

we do have on an active, on-going basis, for business reasons, layoffs of individuals with full recall rights but the term and duration is completely unknown. No one can predict safely how long that layoff is going to be.

And again for this reason I think the larger unions have very successfully negotiated lengthy protection periods to guarantee the recall rights of those people and, notwithstanding that, the employer is under an obligation to provide notice which contemplates a permanent kind of dislocation when, indeed, these aren't.

As a small example, we had a layoff in one of our plants where we had a group of three or four people who were indefinitely laid off on the basis of their seniority at that particular plant and as it happens these people had been affected by a permanent plant closure at one of our other plants. And the company had made efforts in that situation to award full company seniority at the new plant, but due to the wishes of the receiving plant, the employees and the union of that plant, full service was not awarded and, therefore, these individuals were put into that plant as new employees. So that any new dislocations, any reductions in operations would mean that those individual who, in many cases had been with the company 20, 25 years, would be the first ones laid off.

This was done. They were laid off on the basis of being junior employees, notice was given for their service at that plant and those individuals then came back and complained that they weren't given proper notice under the Employment Standards Act. We received an interpretation that they were entitled to greater notice. They were entitled to notice based on their employment, full employment period with the company.

We, therefore, had to look at providing pay in lieu of notice, another feature of the current Act. Now, these individuals were out on the street a total of three to four weeks and were recalled and yet, in both cases, having been laid off only three to four weeks, having been recalled back to the plant, having been given their full seniority accrual back, they were both given eight weeks pay in lieu of notice on two separate occasions. And that's the kind of thing that we think is wrong, and we feel that there should be a serious review of that.

Some way should be put into the Act to distinguish those situations from the situations you're talking about. I don't know what the answer is. I don't have any concrete suggestion to give to you, Mr. Wildman, but I think that those situations need to be distinguished.

Mr. Wildman: Well, that's what I was looking for was some kind of suggestion because in fact, if you look at the

indication-- the situation that I referred to, when you're talking about 19 years seniority in order to remain in the plant and if you have got say eight years seniority with recall rights and you have been off work for more than two years, I think it's very unlikely you're going to get back to work.

Mr. Williams: Well, it's impossible for me to comment on that and, of course, as you're well aware, the parties are discussing that whole situation with respect to the status of the employees who are going to caught up in that current scene.

Mr. Wildman: Okay. I'd like to move, as I said, in a moment to the question of community, but I think I'd like to use the example of one of the documents you presented us and that is in regard to the Stelco closure of the Griffith Mine at Red Lake, Deer Falls.

For the sake of those members of the Committee that may not be aware of it, could you go through the steps that led to the extension of the notice to one year?

Mr. Williams: I'm sorry, beg your pardon?

Mr. Wildman: Could you go through the steps that led to the extension of the notice to one year?

Mr. Williams: Well, I'll summarize some of that for you. I'm sure you're somewhat conversant, but for the benefit of those who aren't, the company came to a decision, again most reluctantly but by necessity, that that particular operation located at Red Lake had to be closed. I believe that the reasons are included in the appendix which are attached and I won't bother to try and go through those, but the announcement was issued in November of 1984 that that would be the status of that operation and that the closure would occur as of April 1985.

As a result of the communication of that decision and the communication with the employees in the community and with representatives of the government, representations were made to the company that the decision to close should be extended, that there should be a greater opportunity for the people who are the affected to asses what, if anything, could be done to offset the decision to close.

I'm sure, as you're aware, various members of the legislature were involved, senior union officials were involved and the company did decide in 1985 to extend the closure by one year. I believe there is confirmation of that decision in here. But, in any case, the net result was a further extension until April of 1986.

Mr. Wildman: Yes. I recall the discussions that were

going on at that time, the involvement of the members of the legislature, the community and of the government with the company and the union.

My question is this: Stelco basically agreed to an extension of one year to give the community a chance to adjust, and yet you're indicating in your brief to us, having gone through that experience, that you would prefer not to have mandated longer notice and I'd like to-- if you could explain why, if your company was able to extend that kind of notice to a one-industry town that was faced with a complete shutdown in one case, why you're now before our Committee indicating that you believe it would be too onerous to have notice extended beyond sort of like 18 weeks now?

Mr. Williams: I think there are probably two reasons for that. Number 1, this is a unique situation. That whole community, as you are well aware, was very much reliant upon our operation and I think that needs to be contrasted with the situations where plant closures have occurred recently in Southern Ontario where the opportunities for employment are far superior to what they are for these people in Red Lake and, you know, that certainly was not lost on us.

Contrary to many, perhaps opinions, employers are humane, we're concerned we have a conscience and it was very much in the back of our mind the terrible impact that it was going to have on the community. We felt that we were being as extensive as we could initially to provide the notice we did. When we finally made the decision, we did not waste any time in communicating the decision. And, quite frankly, I think one of our driving concerns was that for the health of the overall corporation, we had to take-- we had an obligation to all of our employees to try to preserve their employment and this is one of themes we have been trying to make in our brief, that often the decision to close is for that very purpose, so as to ensure the survival and the availability of jobs for the balance of the people in the corporation and this was behind our decision to close.

It was costing us money, significant money to extend beyond April of 1985, but because of the strong representation and effective representation, I think, of the community, of the employees, we were persuaded to go beyond that point. I don't think you can use that as a standard that every employer must be held up to and employers should be allowed the opportunity of coming to those decisions on their own.

Mr. Wildman: Well, this Committee is charged specifically with dealing with closures and layoffs in Northern Ontario, besides the overall provincial...

From the Floor: No.

Mr. Wildman: Yes, we were. Isn't that correct, Mr. Chairman?

Mr. Pierce: In the province of Ontario, isn't that right, Mr. Chairman?

The Chairman: The mandate of the Committee according to the motion that was put by Mr. Nixon, the House Leader, was that we look into the question of plant closures and shutdowns with particular reference to Goodyear and to Northern Ontario.

Mr. Wildman: Yes. So Northern Ontario is a specific mandate of this Committee. And I would point out to you that the situation at Griffith Mine, Red Lake, while you describe it as unique, is not unique in Northern Ontario. The vast majority of the communities in Northern Ontario are, in fact, one-industry towns and most of them are resource dependent one-industry towns. And it means that if the one industry in that community shuts down or has a mass layoff, in fact, the community is shutting down and because of the distances, there are not the employment opportunities within commuting distance of one's home to be able to find work elsewhere that you have in Southern Ontario and I'm wondering if you're suggesting, by inference, that there should be different regulations and rules for one-industry towns as opposed to the whole province?

Mr. Williams: Well, quite frankly, we haven't put our minds to that, but I can tell you that I believe our assessment would be -- certainly my personal opinion would be that that should not be the case.

I am concerned about the unique situations that one-industry towns are plagued with when the employer comes to this kind of conclusion. But, again, I think you have to allow for the flexibility between the parties. I think you've got to recognize that the employer is going to need as much opportunity as possible to explore all avenues for continuing the business. You've got to recognize the need for ensuring a climate which would allow for continued investment in Northern Ontario and if, indeed, onerous regulations were put in place or regulations that may not be onerous but may be perceived as being onerous, it could very well have the reverse impact. It's going to discourage investment, it's going to discourage the opportunity for employment.

And I'm not personally conversant with the situations that perhaps this Committee has become conversant with. I can't offer you any further comments in terms of trying to distinguish it, but I would urge you to be very cautious in trying to pursue a concept that would come up with differing standards simply because of one-employer towns.

Mr. Wildman: Could I also ask one other question then specifically related to your situation in those communities up there in northwest Ontario.

Am I correct in understanding that Stelco made a grant to the community of \$2.4-million as part of the closeout, which grant was equivalent to the taxation that would have been paid had the company continued to operate for two years?

Mr. Williams: A significant grant was made, whether or not it was \$2.4-million I cannot confirm or deny.

Mr. Wildman: My information is that it was \$2.4-million and that sort of comes in line with some comments or proposals that were made to us in northern Ontario when we there last week that, in fact, there be provisions for community adjustment funds for one-industry towns when there is going to be a major shutdown or layoff.

In your case, or in Stelco's case, this grant was done voluntarily by the company and I commend the company for that. Do you have any comment or perhaps your colleague from Noranda might have some comment on whether or not there should be provision made, mandated for community adjustment funds in one-industry towns?

Mr. Williams: John, would you offer...

Mr. Keenan: Well, I think the one thing that members of the Committee and all of us should remember is that resource, particularly mining resources such as the Stelco mine at Deer Falls and our mining operations, and when a mine opens, everybody knows it's on the way to closing. And surely the people that go to work for mines and make their homes in mining communities know that. When mining communities are developed, they are developed on that understanding and the resources that are applied to the development of those communities and to the development of the infrastructure and normally the conditions of employment, the general level of wages and other benefits that are offered in those kinds of communities, tend to be quite a bit higher than the average for the province. And those all take into account that. So I think that that has to be weighed in the balance too.

And I think to seize upon the Deer Falls case as an example is really...

Mr. Wildman: Well, with respect, you submitted it to the Committee. You brought it up, I didn't.

Mr. Keenan: I know, but I'm just raising the point that at the time that another Committee of this legislature

studied this same question, it was at the time period of the closure of the mines at Atikokan, I believe the Cailand mine had closed and Steapot was about to close or vice versa. Now, the knowledge of those closures and the discussion with the community and the establishment of community assistance and adjustment mechanisms went on for a period of years and I think that that's the normal practice. Normally, mines don't close. Now, I'm just restricting this to mines because...

Mr. Wildman: I under that.

Mr. Keenan: ...there have been situations recently in the forestry in the north I think that create a different set of problems, but normally mines just don't close without considerable notice.

We're in the process now of phasing out the operations of a mine at Ignace or north of Ignace and the community has known about that and there have been joint provincial, community and company meetings going on now for something like two years in preparation for the phasing out of that operation.

And I think that that's-- really that's pretty par for the course and I think that if there was legislation requiring specific mechanisms that, in fact, it might detract from the co-operative and long-term-- let's supposing there was a one year legislative requirement for community discussion, that may in effect limit the kind of discussion that's already taking place that I believe is being handled very satisfactorily on a voluntary basis and I sort of echo what our Chairman, Dave, has said, that it is possible through trying to cover all of these potential situations by legislation to, in fact, create an environment which deters - not only deters a productive and co-operative phasing down of an operation - but also deters future investment. And so it can be negative from both sides. That's what we would be concerned about.

Mr. Wildman: Well, I don't have it with me right now, but it was presented to us in Thunder Bay by a colleague of ours from the legislature, Jim Foulds, and then also by the representative of the United Steelworkers of America who appeared before the Committee, a copy of an ad indicating that everything was go ahead at Griffith mine not long before the announcement was made for a closure which is an example, I think, of unfortunate communication with workers.

But in regard to your comment about Atikokan my understanding, and my colleague can confirm this, my understanding is there's about 35 per cent unemployment at Atikokan now. So I don't think it's really a great example of what can be done through consultation. Perhaps it could have been worse.

The other, in relation to your comment about the high wages paid in the resource industry, we certainly understand that to be the case, however, I was talking about community and community adjustment and surely there is a problem with regard to the infrastructure that a community must develop, in many cases to serve as a bedroom community for mines that are outside of the municipal boundaries at considerable expense which don't just disappear when the community disappears and you still have the operating costs of all of that to deal with. So that's why we are concerned about resource-dependent communities on this Committee.

And I would like to ask you one final question. The Rosehart Committee made a number of recommendations with regard to single-industry towns and Dr. Rosehart appeared before us when we were in Thunder Bay and one of the things we talked about was the proposal for resource planning agreements as well as a Commissioner of resource industries.

One of the proposals of that Committee was that in new developments in resource industries, where a company is going to develop a particular resource, whether it be a mineral- let's take a gold mine, for instance - the Hemlow Operation for instance, that that company should enter into resource planning agreements through discussion with the Provincial Government and the municipal authorities and the workers which would lead to on-going discussions on a yearly basis with flexibility, obviously, to make changes with regard to changes in markets and technology and so on, that there actually be an agreement set up for on-going consultation and discussion, not just between workers and management, but involving the community and government as well.

Do you have any comments on that kind of a proposal from your point of view as representatives of the Canadian Manufacturers' Association?

Mr. Williams: Well, I personally, again, would hesitate to offer some comments because, quite frankly, I just am not conversant with either Dr. Rosehart's report or the lead problems.

I can tell you again that it was our experience in the Griffith, Red Lake area that there were extensive, not simply yearly, but almost quarterly meetings with the representatives of the employee group, and I'm not sure to what extent within the community or the Ministry.

Mr. Wildman: Excuse me, I don't want to give you the wrong impression. This isn't just talking about when a decision to close down is had.

Mr. Williams: No, I understand that.

Mr. Wildman: But rather, we could use the example of Hemlow as I did, where they are now expanding and developing through that period as well.

Mr. Williams: I appreciate that. I'm simply referring back to my own knowledge of our situation where for the five or six years, eight years preceding the closure decision, simply on an on-going basis, talking about the viability of the operation, the effectiveness of the mining operation in the future, therefore, for that period of time, there were discussions. Now, whether or not that can and should be formalized, I really don't have any comment.

Again perhaps, John, in terms of your experience out at Noranda you may have some more personal comment on that.

Mr. Keenan: All I can add to that is that my peripheral involvements in developments in the Hemlow area, I know that there was a continuing dialogue between both the two local municipalities and the Department of Municipal Affairs and the mining companies in terms of community development, schools and the need for hospital facilities and town planning and so forth.

Now, on a continuing basis and any other involvement, I would anticipate that that's part of the on-going process but, you know, I can't really offer any more than that.

Mr. Wildman: Just one final comment, Mr. Chairman.

I understand that the pulp company at Marathon somewhat resents the fact that it pays municipal taxes while the mines that are benefitting from the development up there don't pay municipal taxes.

The Chairman: Are you finished? Okay.

We still have Mr. Hennessy, Mr. Mackenzie, Mr. Pierce and Mr. McGuigan.

Mr. Hennessy?

Mr. Hennessy: I'm talking to my advisor.

The Chairman: Yes, I don't blame you.

Mr. Hennessy: I just have two questions to ask, sir.

We did have a lot of discussion in regards to these important items and it comes to our attention that a lot of people who are on the list perhaps of getting plant closing and they have to leave, there's a time limit put on it, maybe six months, three months, a year, whatever it may be.

In the meantime if they have a chance to get a job somewhere else they stand the risk of losing their benefits if they go and take that other job.

Now, the reason is if they leave the assembly line or whatever it may be won't operate and it's a little difficult. If somebody died, they'd have to replace him anyway, or if he got injured. They are not going to close the plant up because the fellow died.

So I'm just saying: Don't you think that's a little bit unfair to some extent if a person has a chance to get a job somewhere else? And I might say, he has a good number of years and it's a very difficult position to give up your pension that you worked so many years for. We all look forward to that to some extent and just to say that if he takes a job somewhere else he loses everything he worked for, he or she.

Mr. Williams: Well, I assume you're referring to the situation of where that's going to happen in any event?

Mr. Hennessy: It did happen, what year or parcel?

Mr. Williams: No, but I mean in terms of...

Mr. Wildman: The loss of severance and pension benefits.

Mr. Hennessy: Yeah.

Mr. Williams: Loss of severance and pension benefits.

Mr. Hennessy: Yeah. So the only thing...

Mr. Shantz: If you don't stay until the last day.

Mr. Wildman: If you don't stay til the end.

Mr. Williams: Oh, I see.

Mr. Wildman: You know, the place is going to shut down so you look for another job and you get a chance for another job and if you take it you lose whatever benefits you're going to get from the company.

Mr. Williams: And indeed has that been happening in the examples that you are familiar with?

Mr. Wildman: Yes.

Mr. Williams: Because again I can think of many examples, notwithstanding our own, where individuals were allowed to leave and still retain their entitlement to the assistance program that was determined between the employer

and the employees.

You have to be also cautious that the business which is going to continue to run for however number of weeks or months still functions. There are jobs there and in many instances certain individuals are critical to maintain that operation and so it's difficult to anticipate that there should be an unfettered right for people who have been given advance notice to then leave their employer and retain all rights that they will receive upon the closure.

I'm not sure, therefore, of what the compromise solution is. Where it is happening, in some cases, and the employer can live with it, then often the employees will go with the good graces of the employer and have full access to the benefits. But if you're suggesting that that should be legislated, I can see some difficulties with attempting to legislate that sort of thing.

Mr. Hennessy: Well, how would you feel about giving employees more notice of the closing of a plant? You mentioned it in your brief. How would you feel about it?

Mr. Williams: Well, I think the notice provisions are excellent. I think they're among, if not the best in North America, certainly among the best in North America, and then over and beyond that - that sets the minimum standard - I think in many, many examples those standards are exceeded by the facts. We would be opposed to legislating expansion of those notice provisions.

Mr. Hennessy: How about the first question, would you be opposed to that? By a company saying that if so and so left that they forfeit their pension or benefits they have because they left maybe two or three weeks or maybe a month or two, whatever it maybe, it doesn't matter. It could be the difference, when you come down to fine print, it could be one day.

Mr. Williams: As I suggested, Mr. Hennissey, I think you have got to look at the facts surrounding that. In some cases, you know, there's no reason why that individual can't leave and hopefully carry with that person, he or she, their full assistance benefits. On the other hand there are going to be times where that really defeats the purpose. The purpose of advanced notification is so that individuals can prepare for alternate forms of employment while at the same time preserving the existing operation. The operation presumably has to be able to carry on in business for that notice period. And I think you've got to look at the individual circumstances. The difficulty would be legislating that.

Mr. Hennessy: Thank you.

The Chairman: Thank you, Mr. Hennessy.

Mr. Mackenzie?

Mr. Mackenzie: Mr. Williams, I guess one of the problems I have right off the bat with your brief is - which may or may not come as any surprise to you - is that I read the last sentence in the brief. Your brief is predicated on what's important and necessary in terms of the health of the firms that we are talking about, but your last two sentences say:

"Efforts should be focused on assuring a community based form of assistance to those who are dislocated in the process."

And what it clearly says, whether it's intended or not, is that the problem or the cost of those dislocated workers, workers that are out of a job, should be picked up, in effect, by the community, by the tax base generally. And I am just wondering if there's not a little more responsibility than that to the companies involved that are closing down plants?

Mr. Williams: I think that's perhaps an inaccurate or unfair interpretation of what it is we are saying, Mr. Mackenzie.

What we're trying to emphasize in our conclusion is that too often the thrust of the effort is on somehow keeping the jobs, how do we somehow keep the jobs alive. And, of course, we're well aware of efforts to review overtime provisions, contracting out provisions and I think it's fair to say on behalf of the Ontario Manufacturers' Division of CMA that we think that's the wrong emphasis.

If in fact we are concerned, as we all should be, in employment and jobs, it should be in looking at the future how do we ensure that we have a viable employment base and how do we make sure that individuals with the necessary skills and abilities are placed into those employment opportunities.

There is going to be, by necessity, a rationalization of many of our industries. We're going to continue to have plant closures and we suggest that that's in the interests of the province that that be allowed to continue. There are good standards in place to preserve some protection in terms of notice and payment to the people affected by that and that rests on the shoulders. But we're saying that beyond that there, therefore, has to be a better effort made. And employers feel that they have a full responsibility to share in that effort, but it should be a shared effort. There has to be an effort to, as we suggest above our concluding paragraph, in enhancing

job search, in ensuring that individuals take part in adjustment programs, that there be a better fit made of those skills of people who are displaced with other jobs outside that firm or outside that industry. And that's where we are concerned, we don't think that currently there is perhaps as productive an effort in that regard.

Mr. Mackenzie: I guess my argument is simply that if we're going to ensure the future survival through a process of rationalization in the manufacturing and business world, we're also going to have to ensure that some of the costs, as far as the workers are concerned, are part of that equation. And one of the things that disturbs me, is that there are examples of much earlier reporting and more complete information as to what plans are. I think one of the things that was interesting in the Rosehart study was the comparisons made with some of legislation in Scandinavia and the fact that companies are required to file their plans, either contraction or expansion in advance, in the various labour districts and also have much more of a responsibility in terms of providing a job for the employees that may lose their jobs as a result of a closure. That doesn't seem to hurt their competitive position or certainly their employment position.

And I can recall being startled, to say the least, in our last round that we referred to here of plant shutdown hearings back in '79-'80 when we had the SKF people before us here in Toronto and found out, only because of the testimony before this Committee, that in fact they had detailed in some detail the plans to close the Scarborough plant here in Canada several months before they even told Canadian management to their employees in both West Germany and France at the time.

So obviously we weren't getting the benefit of that in terms of what happened to the employees here at that particular plant, but it was knowledge that they had to, by law, pass on to the workers in some of their other operations in the same line in a couple of different countries. And I am just wondering why is it so difficult to extend that notice provision and planning provision when it is done in a number of other jurisdictions?

Mr. Williams: Well, I think we have tried to convey to you some of the problems that are associated in Ontario and I dispute that you can transfer the Swedish or Scandinavian model into Ontario. I think you have, if you will, a much more planned economy in Scandinavia than you do in Ontario and one of the ironies we are faced with is that in this year and the next few years to come, with decreasing employment, some of the major employers, it's more difficult to predict, you know, what next week or next month is going to bring than it was in the 1960s and

70s when, almost without exception, the entire economy was booming.

And I think that, again, is our concern, that where you do have very large, established, mature, manufactured base employers, we try to do the best we can to communicate, but often we are not sure ourselves what tomorrow or next week is going to bring.

Mr. Mackenzie: Well, my concern is-- I could give you a half a dozen examples that bothered me no end in the course of the previous hearings, but even -- my colleague has already referred to this one, and talking once again about the Griffith Mine. One of the things that was produced by the workers at the Griffith Mine at the hearings we had in Thunder Bay just last week was this ad that was run by the Griffith Mine, Red Lake, Ontario, Stelco Incorporated owner, Pickens & Mather managing agent and as well as a number of comments about the high grade ore pellets and the situation at the mine, is this specific paragraph which certainly the workers told us about and their representatives at the hearing.

"The Griffith Mine is part of this growth leading to a stable economic base to the Red Lake Deer Falls area with a future that will extend into the 21st century."

Some people could argue that that was, to say the least, in terms of people that were making the investment in their homes, and you did do better in terms of the adjustment to the community, it's something that hasn't happened in most cases, the 2.4-million that my colleague refers to and the extra year, whether it was pressure, the goodness of your heart or a combination of both, kept some of the employees on, but certainly you could be forgiven for raising some doubts as to what kind of an option you were given when the employees first went in there.

Mr. Williams: Again, perhaps indicative of the comment we made, we are truly scrambling and as you are familiar, I'm sure, Mr. Mackenzie, we have iron ore supply properties in other parts of Canada and the United States and, quite frankly, there was a very sincere question as to whether or not we could keep all of those properties viable and I'm sure in terms of the management of that particular mine, they were prepared to do everything they could to preserve their future and their place in the community.

The decision by our corporate office was that subsequent to that date you referred to, that we could no longer afford the supply properties going at the level of operations they were and we had to rationalize and we had to make a very tough decision, the decision was made which closed the Griffith Mine, but that's not inconsistent with

the point I made earlier.

Mr. Mackenzie: What about the number of different kinds of closures that we are running into and that we had also well documented a number of years ago. They are corporate rationalizations and I think most of us understand that, but what about a company that is a profitable operation and has made money every year of its operation, but the decision is made, many cases on very short notice to shut down because there is the excess capacity. Two or three examples that I'm thinking of now are in their head office plants.

Is that decision to close -- I think one of classics was back in Windsor in the previous Committee in the Bendix but I think we have had a couple in Woodstock just recently -- that plant had made a profit 40 of its 41 years and recently modernized and I recall well Robert Smith, the Canadian President of the company appearing before this Committee and saying that he got a wire - and I still keep forgetting the head office operation of the plant in the U.S. - but giving him two weeks to make a judgment or a decision as to whether or not he could justify the continuing operation of the plant in Windsor because they could make more money by using the excess capacity in the States.

And as he told this Committee, he had no alternative because he knew the bottom line of the issue but to recommend that they shut the Canadian plant. My concern there is that it was little better than the minimum requirements for those better than 400 workers, but it was a big enough plant that had an impact on Windsor as well at that particular time and certainly the company did end up better off and healthier and we lost a production facility with better than 400 workers.

In that kind of a rationalization, is there not an additional responsibility in terms of the costs that accrue to both the workers and the community?

Mr. Williams: Well, I won't attempt to condemn or support that decision. Again, I come back to the theme that -- that is a reality in Ontario. I think that's going to continue to happen and our concern is that this province not take steps which is going to cause even more decisions of that kind.

We have offshore investors who are looking at operations or potential operations in Ontario and one of the decisions they are going to make is whether or not they can more economically operate in other locations or in Ontario.

To the extent that they have the ability to operate

with flexibility and that the investment climate is hospitable, they are going to be encouraged to come to Ontario. To the extent that the investment climate is not hospitable, they're not going to come. And our worry is that we may find these types of investors with jobs discouraged from investing.

Mr. Mackenzie: What about the rash of takeover fights that we have now? We had just a week and a half ago the Goodyear Company before us and Mr. Busby, in answer to one of the questions, indicated that at that time he probably assessed 85 per cent of the responsibility for closing that plant -- and there's 1700 workers there that are out of work -- on the costs involved in the takeover fight.

I personally don't think that that's the total or accurate or even the percentage that I would assess to it, but that was his answer before this Committee. Should those workers be paying the price of that takeover battle and should we be doing something in terms of the kind of takeover fights that we have seen that have also generally produced very little and certainly have cost jobs in this province?

Mr. Wildman: That investment certainly wouldn't have produced any more jobs.

Mr. Williams: Again, Mr. Mackenzie, I don't know how you would legislate protection against takeover fights. I'm not sure how you come up with an answer that would offset that concern.

Mr. Mackenzie: In that case, to refer back to a question that my colleague, Mickey Hennessy was asking, and this has happened innumerable times and it's an issue that's raised with us as members, quite often.

But there, unless they're able to negotiate something in the talks that are going on now, to this point in time the workers have been told that they have to stay until the very last day and here you have employees, most of whom are in the 20 to 30-year seniority range who - if they can get a job, and it's not the best time in their life to get a job - are required to stay til the day that plant closes or they'll lose their severance payments and, in some cases, will also affect their pension payments.

You say you have to keep an operation viable and your brief is made on the health of the company but what about the viability of that employee? He is at a very difficult time in his life and if he gets a chance to take a good job, he's penalized and penalized severely, if he leaves before the last day in an operation like that.

Why shouldn't that be an avenue of additional protection for workers?

Mr. Williams: Well, I would be surprised that any employer would not be prepared to positively consider the individual circumstances of an employee that came forward and said I have an opportunity for employment elsewhere and I would very much like to be able to terminate my employment early, prematurely so as to take advantage of that offer of employment. I believe most employers in this province would look favourably upon such a request.

they also, though, have to bear in mind the impact that that has on the operation and they've got to consider seriously their ability to allow that individual to remove himself from the employment and maintain the operation.

And again I question the viability of legislating that entitlement. I don't know how you can legislate an obligation, in many ways it is, on various employers to provide four weeks, six weeks, 16 weeks or more advance notice, preserve employment with no change in benefits because the terms of notice require the jobs and rates of pay to be maintained, and then at the same time suggest that the individual employees can opt out of the equation.

If you talk on an isolated basis, I don't disagree with you and I think nor would any employer disagree with you, but if you then talk about the rights of every employee to then opt out, I think that causes a problem.

Mr. Mackenzie: One of the difficulties also is just exactly how much help the workers get in all of these closures.

We have one in our town that you may well be aware of, but the results are pretty drastic to this day and that's the Connie Bass shutdown. And what do you do with a company there?

Three things I guess. I sat in the Minister of Labour and the Minister of Industry and Tourism's office along with the Mayor of Hamilton, the Regional Chairman and a number of other people when Mr. Stangler was before us, the head of the container division. I think he's now with MacMillan, Bloedel and two of the questions that he was specifically asked as the workers were desperately looking for a chance to consider a buyout - I don't think it was viable in that particular operation - but at least they had hired the people and talked to the people that had been involved in the outboard marine case down in Peterborough and were looking at it and asked for a little time.

The answer we got at that meeting with a fair number of people from the Ministry and Hamilton politicians there was very cold and calculated, and I'll never forget it: Imperial Oil wouldn't sell a good choice corner lot to Texaco, why should we put up with the competition.

In the course of that same meeting we found out that they were in the process of selling the plant to Reed Packaging next door and we asked - I think the question first came from the mayor, actually, but we pursued it - well, will you make some effort to see if some of these employees who had a low seniority of 17 years-- would you consider asking that some consideration be given to them if this purchase goes through. And his answer there was: We wouldn't appreciate anybody telling us who to hire, we don't care to tell anybody else who to hire.

It wasn't very much of an attitude as even Gordon Walker had to admit the next day under questioning in the doggone House. The point I'm simply making is that they finally went to court, as you probably know and before the Board, and won a judgment of about \$300-thousand additional which the company has now fought since that date on and there's never been a cent paid out of it. That's the little bit that's over and above minimum.

Now, most of those employees never did get another job. They're now saying there's only 20 to 25 per cent of them left not working, but most of them have now reached retirement age and we have had five suicides in that particular plant and we have had the workers obviously totally paying the price where the company wasn't even willing to consider whether or not they should have a bit of a time for a buyout bid or to do anything in terms of extra work on the part of the employees.

Now, what do you say to those employees who I still deal with, I guess too involved with them for three years now but who are into my office for a little chat quite regularly. They haven't got a very favourable impression, I guess is what I'm saying, of the kind of protection that we offer workers today.

Mr. Williams: Well, again I guess this is why we come back to the emphasis should be on looking at and maybe -- if the atmosphere and the environment was more conducive in terms of trying to constructively relocate people affected by plant closures, perhaps some of that could change. And there are various ways that that can, in fact, be improved upon.

And we strongly advocate that if there's going to be any course of action steered through the recommendations this Committee, it be in a way that emphasizes the positive rather than emphasizing perhaps a regressive form

of dealing with plant closures.

Mr. Mackenzie: My colleague just reminds me and I think very effectively, apart from the problem that had already been articulated by the workers of Goodyear that they had to stay til the last day and had not been able to get any redress up to that point in time from the company.

One of the questions asked of Mr. Busby before this Committee a week and a half ago was: What about the employees in that plant when it come out that they might at some time -- I don't know if they put any time frame on it -- not to distant future, be considering a new tire plant in the Golden Horseshoe are and answer was that they could show up at the door and apply just as any other worker could.

Mr. Williams: Well, Mr. Mackenzie, you're well aware in our case of the situation of where we offer preferential hiring to people affected by a plant closure at other plants of our corporation and we offered it with full service and, as I alluded to earlier, we had strong opposition from those receiving plants and the employees in those plants to that offer.

And I think, again, this is the danger of trying to legislate some common standards that are going to take into account all of these scenarios.

Mr. Mackenzie: No, I grant it, that is one of the problems that we would have to look at in any situation like this. But even in the case -- I think you're referring to some of the Canada Works and some of them that ended up at Frost Wire.

Mr. Williams: Yes, I am.

Mr. Mackenzie: You know, some of those employees that I've talked to - and, once again, you get employees when they're, you know a little up tight about what's happening, had a lot of service -- and because of some of the pressures there and the concern about staying because of their service with the Stelco operation, opted to take those openings that were there at Frost Wire.

But I could give you an argument back that I suspect very strongly that Stelco had a pretty good idea, at least from talks I've had with some of your people and the efforts to create job security for those that are there, but the downsizing we have had for some considerable period of time now, I suspect Stelco knew that those jobs - given that that provision was there in terms of the seniority rights - were not very secure ones and those employees who took early on those transfers to the Frost plant then saw some of the other employees that didn't get

placed, you know, being able to qualify for some of the benefits on termination and they after just three or four weeks of employment, you know, found that their job was not that secure at all at the Frost plant.

So they looked at it two ways, it wasn't all that it was a problem with the Union and seniority even though that may have been there. It was also a problem of, you know, should we have taken this in the first place.

Mr. Williams: Well, I'm not suggesting that the problem lays on the Union's shoulders, I was simply making a point that I think you've got to be very cautious in trying to legislate the way in which we are going to handle and deal with displaced people and I think that was the point that has to be illustrated in those examples.

Mr. Mackenzie: Thank you, sir.

The Chairman: Thank you, Mr. Mackenzie.

Mr. Pierce?

Mr. Pierce: Mr. Chairman, I think I'm going to withdraw my questions. I'm looking at the clock and we are now twenty to four and we have another deputant at three o'clock.

I think in the fairness of time, a lot of the questions have been answered and we can go on for a couple of hours, but I will withdraw my questions and I will have answered later.

The Chairman: Okay. Mr. McGuigan?

Mr. McGuigan: Well, the same thing. I will just have one quick question, Mr. Chairman.

One of the suggestions that came to us from the United Steelworkers of America, Ron MacDonald, President, and Mr. Mackenzie did refer to it just a few minutes ago, they say that jobs should be registered and there's something wrong with the system when not all these vacancies are known to the people in the job market.

I suspect myself that they're talking about companies that close a plant in one location, move to another location and then, as in the case of Goodyear, they said: Well, of these people show up at the door we'll consider them. What I suspect is back of this; are there companies that really use these to run away from their employees or run away from some of their employees? I wonder if you would have any comments on that?

Mr. Williams: To my knowledge the decisions to close a plant are made sincerely based on the facts

pertaining to that situation and it would be very speculative to try to conclude that there are ulterior motives behind those decisions.

My guess would be that in most instances our National unions are very effective in tracking those situations and it would be a rare situation of where that tactic would be successful. That's speculation.

Mr. Shantz: I'm aware that there was one Ontario Labour Relations board hearing that got to that matter of an employer purportedly running away from his unionized employees to set up shop somewhere else and the remedy provided that he ended up having obligations to the prior employees. In other words, I think our Ontario Labour Relations Act has provisions for these kinds of situations.

Mr. McGuigan: What if they are under another province, does that still apply?

Mr. Shantz: I don't think the remedy could apply very well in that kind of a situation unless the employer had some sort of facilities in the province.

I would just like to make one sort of overall observation of the things I've been observing and that is that we're talking about horror cases. We're talking about the atrocities that have happened or perceived atrocities that really aren't part of the mainstream of employer/employee relations here in Ontario.

I think we have to step back and concentrate on the overall, the health of the Ontario's economy, the fact that up to now we have been successful in creating a lot of jobs and in maintaining the circumstances that allow us to continue to create jobs, that it is a good place to live and work here in Ontario.

I think for a minute of the comparison, say, between the resource industries from one-industry towns, some of them, but take the auto industry. We have a lot of communities in Ontario: Oshawa, St. Catherines, Oakville where the auto industry is pretty dominant. The auto industry may be the largest employer in the town, so you have to be very careful about thinking in terms of where there's a predominant industry in a town. That's also true of the Golden Horseshoe, but it's also true that, for instance, in the auto industry that 1/3 of Canada's export dollars come from that industry and it's an industry where -- and I think Dave Williams mentioned just in time -- in order to compete with the Oshawa or competitors, we are having to move more and more into a consumer market place-driven kind of economy where you can't predict with certainty where jobs will be next week

or next month or next year.

But if we get to far out in front of the pack in terms of legislation and if people are contemplating horror situations in designing legislation, you end up hurting the vast majority of employers who are not involved in any horror situation and yet who form the bread and butter of our economy.

Mr. McGuigan: I appreciate what you're saying. I think though you must appreciate that we, as legislators, have to deal with horror cases. And there is another side to that horror case, if people are allowed to get away with atrocities it puts some pressure on the good people as well to move into that direction. So we have philosophical problems that we have to deal with on the other side as well as the ones you're talking about.

Thank you.

Mr. Shantz: My point is those horror stories could result in unfortunat legislation that really turn off investment.

Mr. McGuigan: Thank you, Mr. Chairman.

The Chairman: Thank you, Mr. McGuigan.

Mr. Williams, Mr. Shantz, Mr. Keenan, we thank you for appearing before the Committee. We recognize the CMA as an important organization in this country and we appreciate you coming forward today.

Mr. Williams: Thank you, Mr. Chairman.

Mr. Shantz: Thank you.

---(Panel withdraws)

The Chairman: I saw Mr. Hale in the room a couple of minutes ago. I wonder, Albert, if you could see if he's just outside the door?

Pardon? Was that comment for the record, Mr. Wildman?

Mr. Wildman: Well, not particularly, but I wouldn't mind it being on the record.

The Chairman: Well, perhaps we should adjourn for five minutes until we can track down the missing Mr. Hale in terms of waiting for his appearance before the Committee scheduled for three o'clock.

Let us adjourn for five minutes or ten minutes and

perhaps members would keep an eye on the door and when Mr. Hale arrives we will commence immediately.

Mr. Hale has appeared and the Committee is anxiously awaiting your comments, Mr. Hale.

Mr. Hale: Thank you very much, Mr. Chairman. I stepped out for a coffee while you were having the last crew's appearance. Please forgive me in being a little late getting back.

The Chairman: Well, we are the ones who are off schedule, not you, Mr. Hale, so welcome to the Committee, Mr. Hale, on behalf of the Canadian Organization of Small Businesses and we look forward to your comments. The members do have a copy of your brief.

Mr. Hale: Thank you, Mr. Chairman.

The Canadian Organization of Small Business welcomes this opportunity to appear before the Standing Committee on Resources Development to discuss the issues of plant closings, economic adjustment, and the role of government regulation in this area.

Our brief to you is certainly not exhaustive on this topic, we could go on for a great deal longer than we have in the prepared remarks, but we would like to deal with three basic issues surrounding the regulation of plant closings under Ontario's Employment Standards Act and deal with any specific issues relating to the detailed regulations within those three headings.

First of all, what are the objectives, or what should the objectives be of government regulation of plant closings in an open and dynamic market economy?

Secondly, the nature of our economy and the economic opportunities and the challenges facing smaller companies in providing secure, productive and economically competitive employment in a rapidly changing economy.

And thirdly, the nature of Employment Standards legislation in regulating employment in large companies and the very much greater number of small businesses throughout our economy.

The traditional objective of provincial legislation governing plant closings has been to provide an orderly environment in which both employers employees can anticipate and adjust to the economic problems arising from plant closings which do not involve the insolvency and the liquidation of the business.

There are a great many more problems, many of them

specific to smaller businesses, that relate to plant closings that are all wrapped up with a bankruptcy, a receivership or some other form of insolvency.

If you would like to get into those issues when we get to the question period, I would be more than happy to discuss them with you because we have had extensive discussions both with the Ministry of Labour and with the Federal Ministry of Consumer and Corporate Affairs which holds jurisdiction over the field of bankruptcy.

The provincial plant closings and severance regulations recognize that economic change, which sometimes involves the closing of large productive businesses, is a fact of life. They attempt to provide a reasonable framework in which workers are given time to adjust to new and changing economic circumstances, circumstances often beyond their control, and to provide both economic support and other practical assistance to workers in finding alternative employment.

The objective of the present regulations is not to second-guess business decisions surrounding the continued viability of a productive facility, even though they do provide a reasonable period of time to review alternatives to a total plant shutdown, including contracting out of work, the sale of the facility to another business, or perhaps even employee buyout. But this is not the principal objective of the regulations.

Thirdly, the regulations also recognize that the cost of imposing severance pay and related costs of partial closing on small employers who are even more vulnerable to external economic pressures than most large firms, may threaten the continued viability of those jobs remaining within company.

So the objective of the legislation is to balance the claims of workers whose jobs no longer have an economic future, for whatever reason, with those of employers and workers who are trying to ensure that those remaining jobs do have a viable economic future in a highly competitive economy.

COSB supports these objectives as a humane economically realistic approach to helping Ontarians cope with economic change. We believe that the Committee should be extremely careful in recommending any changes to these objectives, which would undermine the ability of small, medium-sized and larger employers to adjust to changing markets and economic forces.

The second thing we would like to discuss today is the importance of economic flexibility in our economy. Ontario enjoys a remarkably open and dynamic economy.

While there are particular areas of the province which traditionally have been vulnerable to changing prices and demands for basic resources, including many single-industry resource-based towns, this province has prospered largely because of its ability to anticipate and adjust to changes in Canadian, North American and world markets.

We do not believe, Mr. Chairman, that the law should be written primarily to reflect the realities of single-industry towns, although those realities do demand some recognition in policy as perhaps opposed to legislation.

The small business sector is an important part of that economic dynamism. There were more than 100,000 new business formations in Ontario in 1986 and there has been a rapid increase in net business growth in recent years even when business failures and amalgamations are taken into account. According to Statistics Canada and figures published in the government's statement of small business report, the small business sector (that is businesses with fewer than 100 employees) accounts for 82 per cent of net new employment between 1978 and 1984 and most of those jobs were created by firms with fewer than 20 employees. As least half of all private sector employment in Ontario is in companies with fewer than 100 employees.

Even among those companies which emerged successfully from the economic turmoil of the early 1980s, thousands of businesses have made major changes in the nature of their operations in response to changing market demands.

All of you gentlemen engage in a fair bit of constituency work in order to stay in touch with the people that send you to Queen's Park. We do a lot of constituency work too at Canadian Organization of Small Business and that involves visiting individual members and it has astonished me to find the number of members I visit year in and year out, who are no longer in the same business that they were in five or ten years ago, but as the nature of their markets has changed, the nature of the business has changed. In some cases they have the same people, the people have merely adjusted to changing circumstances. In some cases there has been some turnover as certain skills are less in demand, and others are in greater demand. However, the constant there is the need to be flexible, the need to be able to respond to change and not to be locked into bureaucratic systems which prevent you from changing with the people who are buying your product or your service.

Many of the changes that have taken place in our economy include greater reliance on specialized

contractors rather than full-time employees, increased emphasize on growth through franchising rather than through the expansion of small company-owned chains. And as I was saying earlier, a tremendous emphasizing on flexibility.

Hundreds of thousands of Ontarians have also taken advantage of this growing demand for flexibility and the ability to adapt to change by setting up their own businesses and reducing their dependence on a single employer for economic security and advancement. This trend has benefitted all parts of our society, from women seeking to adapt traditional skills to more independent and self-reliant, to skilled workers seeking greater control over their own hours and conditions work outside the constraints of traditional employment practices or a union hiring hall, to many thousands of individuals in service industries who have adapted their skills and talents to meeting, identifying and fulfilling business needs in their communities.

Canada's economy differs from those of the United States, Japan and many other successful economies in that we have both a dynamic, successful small business community and a corporate community which has managed to adjust with the times to give us a very favourable economic picture at the moment compared to many other parts of the world, but in Ontario, compared with many other parts of Canada. However, we are not generating the steady stream of successful, independent medium sized businesses which provide needed balance and a new generation of innovative managers compared with the rates in which these people are growing up in our American and Japanese competitors.

This is relevance to us as a small business organization because as small businesses, we believe that it's in our interest to have a greater degree of choice in terms of the businesses we're dealing with, obviously, and this point has undoubtedly been made in the course of these hearings, there is a very close relationship between many small businesses and the economic health and well-being of many larger companies. However, where you are in an industry which is dominated, or certain parts of which are dominated by a few very large companies, the absence of medium-sized competitors who can help you adjust, who can provide alternative markets, alternative sources of supply, these things limit the flexibility, the ability to compete and limit the ability to adjust of many small and medium-sized businesses and, as such, provide fewer opportunities for employment, for advancement and for flexibility and innovation not just for employers, but for workers as well who are looking for places to pursue their talents, to pursue a career and have a secure and fulfilling place to work.

Statistics released by Ontario's Ministry of Industry, Trade and Technology show that of those companies surviving their first five years in business during the early 1970s, about five per cent have grown to have more than a hundred employees during the past ten years in the United States while only one half of one per cent of Canadian companies have achieved a similar pattern of success.

This fact should give serious concern to those policy makers responsible for the development of merger and competition policies in Canada. While we recognize that this is not directly within the Terms of Reference of your Committee, as responsible members of the legislature, I'm sure that you are concerned about that broader reality, that broader economic reality that we all have to deal with. However, this fact also reflects a deeper reality that goes beyond competition policies and that is, that a broad range policies and services in our country, from the services of our financial institutions to government regulations in certain areas, to tax policies, increasingly penalized the highly successful medium-sized independent business, to the point that the successful entrepreneur usually finds it more to his or her advantage to sell out to some larger corporation than to retain control and attempt to grow the business from within.

Why are we concerned about this as a small business organization? Well, in addition to the fact that we like to see other businesses that we don't want to be dependent or potentially victimized by industries controlled by a few large corporations. There is also the matter of choice that we have as small businesses, the opportunities that we can look forward to in the future.

Just to take an example, it's quite interesting to watch the effective tax rates published by the Federal Ministry of Finance. While small corporations, small businesses have a certain effective tax rate, I think it's about 11 per cent in the last-- in the early 1980s pre-dating a lot of the recent changes to the system, and large corporations were also paying a relatively low effective rate because of all the tax preferences that they receive, medium-sized corporations who were too big to benefit for the small business rate and too small to benefit from the corporate tax preferences, paid a rate which was 6 to 7 points higher. And there are many other things that keep people from growing.

This has an impact Canadian control of Canadian industries and if we are selling out to more and larger conglomerates, whether they are Canadian conglomerates or whether they're held offshore, it means that the level of choice that we have as Canadians, the level of control

that we have over our own economy when we have to look for options and make difficult choices in difficult economic times, becomes eroded and rather than pursuing policies that will contribute to the greater concentration of economic power as we have seen in many parts of Europe, we should be looking for policies which will promote home grown businesses, businesses controlled here in Ontario from meeting their full potential without these people being better off selling control of their businesses and starting all over again simply because either the banks will not finance them compared to their bigger competitors, they are discriminated against in the tax system or the level of regulation relative to their ability to comply is getting out of hand.

While it is possible that we can break this vicious cycle of corporate acquisition, consolidation, indigestion and disposition, it has promoted the demand from some quarters for more restrictive legislation, we should be looking for non-legislative alternatives, alternatives that will permit us to work together, to adjust more effectively to economic realities, not to squander the talents that we have invested years and millions of dollars building up in the people of this province; the skilled workers and managers of this province.

While it is possible that governments can enhance the economic adjustment services offered to companies and workers facing economic difficulties, particularly those in single-industry towns, there is a tremendous difference between this co-operative approach and an approach that attempts to correct economic symptoms through coercive legislation while ignoring the root causes of these symptoms.

The third part of the brief which I would like to cover very, very briefly covers the nature of Employment Standards Legislation.

As you know, Mr. Chairman, members of the Committee, the Employment Standards Act covers more than five hundred thousand small businesses across Ontario. This reality forces the law to be compliance-based rather than enforcement-based. It simply does not make sense to have inspectors out behind every bush when there are so many businesses out there.

So that by this very reality we have to recognize that the law which is most effectively designed is the law that provides for an efficient use of resources in dealing with the real problem areas.

The law also has room for considerable flexibility. We see this in the severance pay provisions, whereby employees with fewer-- or businesses with fewer than 50

employees who are involved in a major layoff which it does involve the closing of the business, are exempted from severance pay. Why is this?

Well, some of you were here in the Committee in 1981 I believe it was - 1980 and '81 - that examined this question at that time and which resulted in the present provisions being written into law. There are two basic reasons for this tiering of severance pay provisions. First of all, the question of protecting the surviving jobs. A small or small to medium-sized company is very much more vulnerable to outside economic forces and one of those economic forces that is most difficult to control is a financial institution that is afraid that if there's this huge severance pay liability built up in a small company and the surgery doesn't work, the surgery to retrench that company and get it back on a profitable footing doesn't work, that financial institution is not going to be able to realize on its security.

That's a problem getting money to refinance a business, a small business that's in trouble anyway, but with the prospect of severance pay hanging over the head of a small company and perspective its bank Manager, we believe that this would create an incentive for financial institutions and other secured creditors to pull the plug and put more workers out of work than might otherwise be the case or need otherwise be the case.

The second argument is that severance pay is less an entitlement than it is a cost-effective provision to recognize that when a large number of workers are thrown out onto the labour market at any one time, it's that much more difficult for the labour market to absorb them; for people with similar skills, with long experience to find appropriate jobs in a particular field or a particular community. So again it recognizes that if a problem is larger than a certain level, there is a need to target the resources where there will be the greatest area of problem.

Now, this is not to say that many small companies that are facing troubles will not make some severance provision for their employees, particularly long-service employees. The Employment Standards legislation has been pointed out to you is a minimum standards legislation, not an average standards legislation. To legislate average standards is to force everyone to comply with the average and thus to raise the average.

However, we believe that the imposition of the universal mandatory severance pay rule is not appropriate because it diverts resources away from other areas in which the money could be better spent to assist the workers in finding new employment, to assist them in

getting the training they need in order to take decent paying jobs that are available in that community or in that region, and which, in the case of single-industry towns, might also be used to assist them to relocate to other areas where their skills might be in greater demand or have a more secure future.

One of the things with any kind of government legislation is that we have to ensure that if we are legislating the cost, we just don't throw money at the problem but we ensure that that money is as well spent as the competence and goodwill of the people involved with the problem will allow it to be. For this reason we strongly support a thing such as the Employment Adjustment Programs that are co-sponsored by the Provincial Government, the Ministry of Employment and Immigration in Ottawa and local employers and their workers.

This co-operative approach has provided traditionally an excellent record in the placement of workers caught in large scale plant closings. While, it's not perfect and I respectfully submit that no legislation, however well intended ever works perfectly, it does provide a solution which is under the control of those most directly affected rather than injecting a political dimension which may promote a greater adversarial relationship in dealing with what is already a difficult situation.

A secondary that could be looked at. We don't go into it in detail in the brief, but I think with unemployment insurance reform being on the table in Ottawa, it is something that is worthy of your consideration and that is how the funds that are currently being allocated for, for example, regional benefits could be targeted to assist adjustment in terms of locating new business opportunities, improving training and relocation provisions for single-industry towns.

This is an area where there is an extreme degree of need. It requires a great deal of co-operation and there may be an opportunity to co-operate federal and provincial action in such a way which will concentrate the amount of money and the amount-- and the skilled people who can deal with these subjects under local control.

You know, so often, we make decisions here in Toronto or you make decisions here in Toronto which are difficult for local people in outlying areas of the province whether eastern Ontario or northern Ontario, to understand and the systems that are in place, whether policies or legislation or simply a framework of the system, should be as flexible as possible to encourage a maximum of local-decision making and control. In many cases, yes, you will be dealing with large multi-national

corporations, but we believe it's far healthier to have a decision-making process that emphasizes local control than one that attempts to impose inappropriate demands from outside. The recent kufuffle over the Kimberly Clark plant in, I believe it was Terrace Bay, is a good example of how well-meaning outsiders can complicate a situation which is already difficult enough to handle.

Mr. Wildman: Including the Manager of the plant as a well-meaning outsider?

Mr. Hale: I'm not in a position to comment on that.

Mr. Wildman: He's from Georgia.

Mr. Hale: We appreciate the opportunity of discussing these issues with the Resources Development Committee and we hope that your recommendations will provide a useful framework for on-going co-operation between governments, employers and employees in minimizing the dislocations resulting from plant closures, and maximizing the capacity of Ontarians to adjust to changing economic circumstances, rather than attempting to block those changes in the name of justice and fairness.

Most of us, I think, can give ourselves credit for laudible objectives in dealing with an issue like this, however, as we in business are not judged on our intentions but rather on the results that arise from those intentions, I suggest that, however well intentioned any actions flowing from this Committee's work may be, they will be judged by their results and we look forward to the opportunity of working with you to ensure that those result are as positive as possible.

Thank you.

The Chairman: Thank you, Mr. Hale.

Mr. Hale, some of the victims of large plant closures are indeed small businesses, it seems to me certainly, if the plant had closed at Kimberly Clarke Clark in Terrace Bay, the small businesses in that community would have had a very difficult time surviving and I've seen it in the Sudbury area how small businesses suffer when there's a major shutdown or layoff.

Mr. Hale: I think by definition any time there is a great deal of concentration of economic power and employment in one community, the impact of any significant changes in employment can have a tidal wave on all businesses in that community, that's very true.

The question is how do we help everyone in question adjust. Nobody is going to guarantee the survival of the

local retail store, however, there may be options available to the people in the community that can result in a portion of the people in that community having a future in that community and helping the other people to adjust.

Now, one of the question marks that might come up, particularly in single-industry or major industry towns is what happens to those people who have an investment in a retail store a trucking business, a small trucking business or a small construction business related, that obviously is going to rise or fall based on the big company.

I think the issue of notice is a good one. If you have notice that something is coming up, and in the case of most large plant closings, we do have I believe 16 weeks to six months' notice, that puts a lot of people on notice that, yes, there may be a limited future and you may want to look at options for your business in terms of packing up and moving. In some cases you may just have to take a much lower sale value than you would otherwise get. That's tough for somebody who has been in business 25 or 30 or 35 years, but let's face it, the same thing happens not only in northern Ontario.

The same thing happens all across this province where somebody's caught in a tidal wave resulting in decisions that are made by somebody else and you have to build in a certain cushion or you have to have some ability to adjust. Now, we have members who have gone through four and five and six businesses simply because the market has changed around them and they have had to make a choice: Are we going to try to stick it out in this particular field with the result that we could lose everything if we guess wrong, or if we are not quite up to meeting the challenge or do we want to sell short, salvage something, and start again in an area whether it's an industry or a different industry or a different community or whatever, where we have the chance of salvaging something.

The Chairman: So basically despite the impact on small businesses, I think you would fall back -- correct me if I'm wrong here - on that old economic adage that the justification for profit is the presence of risk and that, therefore, the small business have to simply build that into the whole process of being part of the free market economy?

Mr. Hale: We have to take the bad with the good, Mr. Chairman. Obviously if there's an adjustment program for a single-industry town just as there is disaster relief programs in certain parts of the United States. Now, there may be some justification for saying: Well,

we'll give you 20 cents on the dollar or something.

The Chairman: But you wouldn't extend the notice provision that are in the Employment Standards Act now?

Mr. Hale: I don't think so, Mr. Chairman, because obviously while some small businesses might benefit slightly from that advance notice, I'm not sure how much more you could get your for your business if you were given six months' notice of impending death or whatever. Compared to a year's notice.

We are stuck either way and certainly you can say: Well, I've got an additional six months, a year to see if I can survive in Sault Ste. Marie if Algoma Steel cuts back by 50 per cent, but I don't know that that would make a heck of a lot of difference.

And more to the point, it might make it that much more difficult for the medium-sized businesses that we were talking about. If they had to give a notice like that, they might find that all their best employees had simply skipped, you know, nine months to a year ahead of the fact as opposed to three to six months, thus making the adjustment period that much more difficult for everybody else concerned.

The Chairman: Are there any questions from members of the Committee?

You must have made your point extremely well, Mr. Hale.

Mr. Wildman: I have one question.

The Chairman: Mr. Wildman?

Mr. Wildman: Are you familiar with the Rosehart Committee report, the Advisory Committee on Resource Dependent Communities?

Mr. Hale: No, I'm not, Mr. Wildman.

Mr. Wildman: Okay.

The Chairman: Well, thank you very much, Mr. Hale, for appearing before the Committee.

Mr. Hale: Thank you, Mr. Laughren.

The Chairman: We appreciate it.

The next presentation is from the Ontario Chamber of Commerce. Mr. Sanderson and Mr. Yeoman are both here and there is no written brief. They are going to present an

oral brief. So welcome to the Committee, gentlemen.

Mr. Yeoman: Thank you very much.

Mr. Sanderson: Thank you very much.

The Chairman: Mr. Sanderson is President, that's the gentleman on the right, I believe.

Mr. Sanderson: Yes, President of the Ontario Chamber of Commerce and also Vice-President, Corporate Affairs with CP Trucks in Toronto.

And Mr. Yeoman who is the Chairman of our newly formed Resources Development Committee of the Ontario Chamber is Vice-President, Corporate Development with Brascan Limited also here in Toronto.

The Chairman: Is it Chairman of the Natural Resources Committee? Is that the name of your...

Mr. Sanderson: I think we have Resources Development. It's a rather new Committee and we haven't totally finalized on the name unless, Mr. Chairman...

Mr. Yeoman: Natural Resources.

The Chairman: I wouldn't want people to confuse them. Natural Resources?

Mr. Yeoman: yes.

The Chairman: Thank you.

Mr. Sanderson: We do not have other than a handwritten brief which is our notes and we will be making a submission in two parts, one from myself in a general vein and from one from Mr. Yeoman dealing specifically with the resources industries of northern Ontario.

The Ontario Chamber, as you know, is a rather wide-spread organization which represents a 150 community Chambers of Commerce and Boards of Trade right across the Province with some 60-thousand members in those regional Chambers and 400 corporate members who are direct-- more larger companies that are members.

Essentially we are a business group. And as members of the commercial life of virtually every town and center across the province, we recognize the importance of manufacturing in service industries in everyone of those communities.

We consider these plants to be essential resources for the future of our province. And part of the

reason for the establishment of our Resources Committee is to deal in more detail with the existence and expansion of those plants. The Ontario Chamber of Commerce wants to see aggressive expansion and certainly, at the very minimum, continuation of as many existing industries and services as possible.

We all know that greater world-wide and local trade is being discussed and new opportunities will be created for Ontario industries, also new challenges to Ontario industries. Our role in the Chamber is to promote these industries and to work between industry and the Government, to try and develop a favourably climate for growth and expansion in the province.

There is no doubt that Ontario is facing in the future some kind of a challenge to its industrial and service base because of a number of world-wide trends that we see taking place. We see third nation development in the area of greater people skills and equipment skills. We see trade liberalization, both in the North America and across the world. We see industrial deregulation of many industries. Changes in raw material costs. And a great of specialization of industry.

Throughout this process of change individual companies naturally are constantly reviewing their own competitive status. They are asking themselves, "Can we compete on the world market in terms of cost, in terms of service, in terms of the ability to deliver to our markets?"

And in the process of that, they ask themselves questions about their location. Should they be located nearer to their source of raw materials? Should they have cheaper labour if it is available at another region? Should they go where there might be less regulation or more regulation? Should they seek out lower tax areas? Should they get closer to their markets?

And in doing so they are considering both survival and, or, improvement of their market position. In many cases they are looking at changes in plants from a number of facilities to one facility which is a source of greater investment, greater productivity, but also probably at a new location.

As I said, these studies are constantly under way in just about every company and business, large and small, as to whether to expand, change, remove, go somewhere else. And certainly the current trends in Ontario and the advent of freer trade will prompt a number -- perhaps an acceleration of such studies, not necessarily to our disadvantage.

And clearly, as in locating new plants, government has an influence on the final decision reached by businesses in closures or transfer of facilities. I think there are a number of long run actions that we would suggest to this Committee to consider that would help set a favourably climate for business in the province -- which we think is essential to the maintenance of existing firms.

First of all, government has a very strong role which we see developing and could be developed more in the area of education, training, entrepreneurial identification and skills development of workers.

If there are going to be changes then the workers in Ontario have to be ready to move with those changes. And a source of well-trained, versatile, entrepreneurial workers will be very meaningful to people in plant locations.

Governments can put in place a highway and transportation infrastructure to move both people and products efficiently, and effectively, and quickly. Governments can implement the most competitive possible tax structure not just for industry, but also for workers to make Ontario a favourably place to locate as a worker, as an entrepreneur, as a business. Governments can minimize unnecessary intervention in business affairs. And at the same encourage business to move ahead in social benefit areas -- not necessarily legislated -- in environmental improvement programs and in other programs.

I think that government can also provide leadership to the province or in the province, to develop a kind of industrial strategy for business developments, so that government issues and government agenda do not conflict with that industry strategy. So, I am suggesting perhap new leadership in the area of industry strategy.

In the shorter term, governments are often faced with short-term closures. And it probably is no more possible for a government to impact on a closure than it is for a government to force someone to build a new plant.

While certain government incentives can assist in getting new plants, speed up expansion, influence location; unless there is a greater profit than by not building, it is almost virtually impossible for a government to force a company to build a new plant.

Very similarly on plant closure, once a facility is inherently unprofitable, if there is such a thing -- at least unproductive to a company's long-term aims -- it will likely close almost regardless of whatever

action is taken by government. But this does not mean that government should not try to influence companies; only that is unlikely they can legislate or force plants to stay opened without some form of massive subsidization.

We believe that such subsidies only lead to government deficits, to higher taxes, an increasing tax load on the remaining profitable companies, and employees. So that long-term subsidization of basically unprofitable, unproductive industries we believe is counter-productive to the whole province.

However, there may still be many courses of action opened to government consideration faced with possible short-term closures. Once again, provided that they are not faced with fait accompli closures. We believe that most responsible companies are more than willing to discuss with government ways to minimize the negative affects of closures or to explore alternative solutions to closure. Some of these alternatives may be effective if enough time and enough dedication is available.

Industry/government consultation can lead to very useful results in maintaining employment. It can also disclose factors, longer term - perhaps, outside factors - which if resolved can prevent other closures in other industries.

Leading from that, and we move to a few recommendations for this group to consider. And these are outside of perhaps existing regulations with respect to closures which we have not studied in depth due to time available.

But we believe that in principle a group perhaps within the Ministry of Industry, Trade and Technology, a department which specializes in plant closures might be an appropriate movement.

We believe that the government might establish a policy within that Ministry group which says, and says publicly, "We in Ontario want to maintain our existing structure and expand it." And which also says, "We will help industry with problems which they foresee that in long term could jeopardize continued operation or expansion of our industry."

A third thought is that, government could establish non-legislated guidelines on business closures that allows business to offer government notice as far in advance as possible in the circumstances outlining the basis of closure and in a confidential manner, if necessary, or desired.

Now, there is a whole range of types of

closure. There is short-term bankruptcies, medium-term, maybe three to six months, long-term one to two years. Usually those longer ones are the more significant ones. The exact policy and time is perhaps debatable, but somewhere in the order of six months seems to be not unreasonable, and longer if major groups of employees are involved.

Under what we are recommending for consideration, the Ministry of Industry and Trade plant closures group could study the problem with the closing company. Analyze the basis of closure and explore possible other avenues to closure and produce a report outlining the short and long term steps which might be taken by the federal, province, or other governments, or by the firm, or by others which might save or improve the situation. We believe that report should probably be a public report except for confidential data which may have to be restricted for various marketing or other reasons.

There report could consider what plans exist for the workers. If in fact the closure is unavoidable, whether other groups can operate the facility or the service, or the business -- and really this should not be restricted to manufacturing. Whether government retraining programs can assist.

We believe that this type of program and policy if well-known in advance to all companies would encourage them to explore many of these opportunities or possibilities privately in greater depth perhaps than they do now before any formal announcement of closure is made. And we believe this could prevent many closures.

Such a program could also be effective in preventing closures by stimulating a look at other alternatives. By exerting a form of public pressure on the closing firms -- knowing that a form of public report would deal with the factors in their closing. It could instigate action on the part of the government to change laws which may have drastically effected the closing firm. It could effect the-- institute action by workers to change union regulations or pay scales, or whatever else might be involved. It could effect suppliers, in that many suppliers can introduce action to assist firms who otherwise would go down the tubes. It could institute action by communities and others. We think that by clearly making it a part of government policy and initiative that we would have many more plant continuations and plant growth.

I would like Bob Yeoman to deal a little more specifically now with the Northern Ontario area and then we would be happy to discuss any questions.

Mr. Chairman: Thank you.

Mr. Yeoman: The economic problems of Northern Ontario are generally well-known and are exemplified by an unemployment rate which is more than twice the provincial average; some say it is considerably more than twice the provincial average of the province.

Many people have given up looking for jobs. The Northern economy is not a dynamic economy such as we benefit from in the south. In addition to often relying on a few commodities the resource company in the community exerts no price control over what it produces because its output is sold in the international markets.

The last 25 years have seen the raise of low cost competitors throughout the world. Often competitors which are nationalized industries, sometimes indifferent to costs of production. Once there were three nickel producers now there are over thirty. Chile which is the world's largest copper producer today can make satisfactory profit on copper at fifty-cents U.S. a pound. Few, if any mines, can be profitable at fifty-cents per pound copper in Canada.

Despite this the national resource industry has displayed amazing resilience in coping with the international challenge. From emphasis on copper, uranium and iron where Ontario was not competitive the industry has now switched to precious metals with a good deal of success.

Despite being often dependant on one industry Northern communities generally have at least one advantage over their counterparts in the south. That is with respect to notice before an operation is closes. From its initial day of operation a mine has a good deal of information as to the timing of its end. Production rates are known, reserves and their metal grades are known. When the imputed life of a mine can be extended or shortened by exchange rate movements or technology change, an end does not normally come suddenly at a mine. And it is a saying that, "Mines die hard."

Mines are aware of declining resources and grades, changes in mineral recoveries, et cetera, and so are the miners. This gives a community additional time to order its own affairs, and the miners, in anticipation of the day of closing, which usually follows an extended salvage period of equipment and a need to conform to environmental requirements at mine closure.

To minimize the impact of a closure in Northern Ontario we would suggest ensuring that the Northern economic remains as active as possible so that

alternative jobs are available for as many as possible. Now, in this instance the creation of alternative jobs can be achieved to some degree by encouraging a vigorous exploration program both at the mine site and near by. On the rationale that if you are looking for an elephant - an ore body - you should go to where one was already found before.

Now, the question of flow through shares is relevant here. Without a doubt the flow through shares have contributed to a high level of exploration activity and they are being looked by the Federal Minister of Finance under the overall tax reform package. So, that is one aspect to the exploration activity in Northern Ontario.

Encouraging the continued existence of mills at mine sites to render any new discovery in the area attractive also would be beneficial. Because once that mill is dismantled a marginal ore body which is found later on near by might not be brought into production. To the degree that a mill can be continued on some basis either as a custom mill could be beneficial.

Now, regarding tax incentives to encourage the location of industry in Northern Ontario. We would tend to favour enriched tax write-offs over grants, in that to benefit from an enriched tax write-off you have to be profitable; whereas being there seems often the justification for a grant.

Local and provincial governments can also contribute to the ongoing Northern economy by ensuring that the infrastructure in place there is maintained in good condition to service the existing population at least in that region.

If it makes good economic and business sense, a government department can be located in Northern Ontario which might contribute to alternative employment there. Fostering tourism often based on the resource industries which existed there or which still exist there; for instance, at Bancroft, Science North in Sudbury, Timmins Mine Towers, et cetera, could also contribute something to the Northern economy.

Locating relevant educational facilities in the North would also appear to be a fruitful activity in this area. By "relevant educational facilities" we would mean ensuring that research is encouraged in Northern Universities on recycling of, say, mine dumps, to recover valuable minerals, et cetera, as Palmor is doing at Timmins, et cetera, forestry research, et cetera. And obviously forestation would yield the benefits, but in the long-term.

Leaving the creation of alternative jobs for a moment. It is necessary that alternative jobs be communicated to those laid off, the existence of them. Now, the employment adjustment progress which was discussed here this afternoon is obviously of great benefit here.

Now, as far as alternative jobs for, say, hard rock miners, it may well be that the alternative job is in British Columbia. Now, recent legislative changes on accelerated vesting of pension rights have certainly helped relocation outside the province. Remaining is the question of the cost of moving.

In the Rosehart Committee Report the concept of an individual living in a mining community being able to shelter from taxes monies to be spent on personal relocation would seem to us to have sufficient merit to justify further study. This would seem to recognize the reality that a miner can rarely simply cross the road to find new employment.

Finally, insofar as is possible those who cannot readily obtain alternative employment should be encouraged to do so by retraining, upgrading of skills, and counselling.

We recognize that the finding of alternative employment, even if a person is retrained for it, is particularly difficult in North Ontario. And that a lesser number of opportunities to practice new skills exists. Consequently for many relocation may be the only way to practice the new skill acquired, further underlining the merit in studying the personal relocation fund tax shelter as a means of achieving this.

In conclusion, the main concern of the Chamber is the need for Ontario to continue to attract new investment and jobs. Now, legislated severance pay and notice of closure are already generous by North American standards and are particularly generous by our international competitor's standard, especially in the minerals area.

So, any attempt to extend these provisions would certainly detract from the attractiveness of Ontario as a place to invest. In particular, we would urge you not to recommend that an employer be required to justify a plant closing to the point that he cannot close -- that the decision to close is not ultimately his or hers.

If this were required we feel that it would fundamentally change the conditions under which investors have operated in this province. If any such justification

for plant closure was enacted it would likely become a silent killer of jobs in our province.

We wish to reiterate what other speakers have said, that plant closures are a natural outcome of changing economic conditions - whether it be because of changes in consumer tastes or changes in relative costs between competitors. And we feel that attention should be focused in responding to the problem of employee termination, not in preventing it happening.

Mr. Sanderson: That is what I have, Mr. Chairman.

Mr. Chairman: Thank you, gentlemen. I am sure I speak on behalf of the Committee in expressing appreciation for you actually addressing the Northern Ontario problem as a separate issue. I appreciate that.

Mr. Wildman?

Mr. Wildman: Thank you, Mr. Chairman. I want to echo the Chairman's comments and while obviously I may not agree with everything you have said, I would like to compliment you on the positive nature of your presentation. And the emphasis on the need to look for alternatives in terms of employment and adjustment, particularly as it relates to resource dependent communities.

I have a couple of questions. I note that you had mentioned the Rosehart Committee and we have heard from Doctor Rosehart when we were in Thunder Bay. And some of the suggestions you have made obviously follow along on somewhat similar lines as to what Doctor Rosehart's Committee recommended, and my colleague from Rainy River and I were both members on that Committee.

First, with regard to your suggestion that there might be a group within government to deal with plant closures. It is my understanding that there already is in the Ministry of Labour such a group.

Mr. Sanderson: As I mentioned, we did not deal specifically with what exists now in any detail, but our thought was that if there was such a group, that perhaps the Ministry of Industry would be a more appropriate group to explore points and possibilities beyond the scope of labour. In other words, it could involve almost anything and it may not be the appropriate area within the Department of Labour.

Mr. Wildman: Right. Okay. I understand your position.

You may be aware that the Rosehart Committee suggested that the provincial government should look carefully at the experience in British Columbia where that government established a Commissioner, whose role was to look at the various kinds of things that you have suggested that such a group might look. Plans for workers; alternative plans for the business; training for workers; ways of preventing closure; alternatives; public pressure; government action; worker response and so on. All those kinds of things. In that situation I understand that Mr. Phillips dealt with, I think, 6 out of the possible 54 such situations and had some success with those ones he looked at.

I am wondering if you have any comment on the proposal in the Rosehart Report for a Commissioner -- or a group of Commissioners, I suppose, is another possibility -- that might carry out the function that you have proposed for a group within the Ministry of Industry.

Mr. Sanderson: Well, dealing particularly with Northern Ontario, I think we should comment separately. But in general I would be, I guess, opposed to setting up a new commission or body when there is a Ministry that's sole purpose and interest is in the establishment of industry and the maintenance of industry in the province. I would wonder why, with that expertise in hand, that you would move to another entire new level.

Mr. Wildman: Well, I think on the Rosehart Committee the suggestion was that it would be somebody who would be arm's length from government, hopefully. That was my -- I understand your position, but do you have any view in terms of Northern Ontario, particularly one-industry towns?

Mr. Yeoman: Well, I think if the Commissioner was-- if the person who was to be the Commissioner was mutually agreed upon by labour representatives and management, I think that if would be worth pursuing. In terms of looking at it.

Mr. Wildman: You may know that Doctor Rosehart himself has been sort of chosen as a pilot in this regard - in Waferboard closure situation in Thunder Bay - and he is acting in this kind of role, in an attempt to see if there are alternatives to closing down that mill and that is reopening it now, I guess.

Mr. Sanderson: It may be more appropriate in special circumstances; in other words, to attack a very specific problem that may be very significant to the province or a community to appoint a Commission to investigate or deal with a solution, if possible.

But by and large we are suggesting it be within the Ministry because the Government in many cases has the power to make changes that are necessary to save companies. And it may be more appropriate to have it within Government rather than an outside Commission who, in our experience, all too often makes a report and then everybody argues about it and nothing happens.

Mr. Wildman: Well, that is a very good point. What the Committee recommended was that, in fact, he would make a report that would be public and would report for government action. But you are quite correct, many commissions have reported to Government and we have never heard of them again.

I am wondering, you are indicating that six months might be an appropriate period, but is that predicated on your view that this notice and the discussions that might take place subsequently should remain confidential?

Mr. Sanderson: I think that should be at the discretion of the reporting company. In many cases, where a decision to close is not necessarily final it may not be advisable because of competitive reasons or because of unnecessary alarm to employees to make that information totally public.

It may be more appropriate towards a solution to keep it confidential at least for a time. But the longer the period of advance notice to some group who is prepared to work with that company, then the more chance there is of a solution. Going public at that stage does not necessarily aid the situation.

Mr. Wildman: The longer the notice, too, the less likely it will remain confidential.

Mr. Sanderson: Probably.

Mr. Wildman: I notice that in your dealing with the North, specifically, a lot of the recommendations you made are very much in line with the Rosehart Committee Report. But the Rosehart -- when you are talking about infrastructure of communities, government decentralization, educational facilities, reforestation and so on -- but the Rosehart Committee also made recommendations with regard to extension of notice, and changes of the number of employees involved in a layoff. That is where I was, Mr...

Mr. Wildman: Okay. Well, by the way, my name is Wildman.

Mr. Yeoman: I am sorry.

Mr. Chairman: Thank you, Bud.

Mr. McGuigan?

Mr. McGuigan: Thank you, Mr. Chairman.

I was thinking primarily of towns that are truly one industry, that come about as a result of discoveries of ore deposits some distance from communities that are already there. And the people, as I understand it, start out operating from temporary quarters of some sort or other, and as the body is proved out then they are encouraged to build homes.

And yet, because of changing market conditions or running out of the ore body and so on, they can be faced with the virtual loss of whatever equity they have put in their home, just because there is not any opportunity to sell it.

Elsewhere as in Southern Ontario, the same might happen but-- I guess, Brantford would be a good indication of a good town where at one time they were largely dependent upon the farm machinery industry there, but nevertheless if there was a house left, it still has the value for--

Mr. Yeoman: Yes.

Mr. McGuigan: --for people who would like to move in from other surrounding communities.

I am wondering if it would be worthwhile to have a perhaps tri-partite arrangement whereby a worker would set aside a certain amount of money, the mine would match that and, perhaps, provincial and federal governments match it.

So, that over a period of time a fund would be built up that was specific to housing -- it could not be used for other purposes. Because I am thinking as soon as you established, say, like, a Northern Ontario Fund, or whatever, just as they established the Heritage Fund, everybody wants to raid it. Whenever there is a good idea that comes along, well, we will grab this money and use it.

And as they are finding in Alberta - now that the economy has turned sour - there is not money readily available in the Heritage Fund, having invested here and there, and it just is not available. At least, that is what they are saying, that it is not available.

And if we had a system whereby those houses or the people that have invested in those houses could be partly or fully repaid, if, and when, the mine closed. And it would be a joint venture of the owner and the company, and perhaps the governments.

Do you think there would be any merit in that sort of an arrangement? I know people are saying right now, "Well, the mine has to pay it all." I guess, that is a natural response, but if we had a system where everybody applied to it, it might be more saleable.

Mr. Yeoman: I don't know. I would tend to prefer the arrangement between the employee and the mine insofar as it is possible. At the end, they buy it back from him at some price, or some appraised price, or some mechanism. I tend to go with that, because essentially--

Mr. McGuigan: Does the company have money, though -- in the event that the mine winds down -- do they have money for that?

Mr. Yeoman: If they know they have to do it. In other words, if it is part of, say, the collective bargaining process, then they would tend to provide for it. Like, every mining company likes to meet the contractual commitments when the mine closes down, insofar-- well, you have to meet your contractual commitments.

Mr. Wildman: It is the proper--

Mr. Yeoman: And I would prefer it if it was part of the collective bargaining process with the mine and consequently the funds would be available at the end. That is what I would do there, Mr. McGuigan.

Mr. McGuigan: It is a little different than, say, the manufacturing industry which tries to keep going as long as it can and often it ends bankrupt, so there is not any money left there to pay off those types of obligations. But in the mine they can see it coming and prepare for it.

Mr. Yeoman: Well, the mine it tends to-- even when it's dying, it tends to become more liquid. And the liquidity could - if it continues profitably to the end - let's put it that way, because it is not replacing its plant and equipment, et cetera. And it would seem that if it could be obtained through collective bargaining the mine - if it was profitable towards the end - would be liquid enough to meet that obligation. It would not always be that way, naturally.

Mr. McGuigan: Thank you for your

explanation.

Mr. Yeoman: Thank you

Mr. McGuigan: It does throw some light on it. They are different as compared to a manufacturing company.

Mr. Yeoman: Absolutely, absolutely, yes.

Mr. McGuigan: Thank you.

Mr. Chairman: Mr. Pierce?

Mr. Pierce: Thank you, Mr. Chairman.

Mr. Yeoman, you said that you thought that the closure time, as I understand it, the closure time as allocated under the regulations would appear to be adequate enough, particularly in the case of a mining community, because they would have a bit of a pipeline -- the people who are working in the mine -- to know that things are going into a position of shutdown, anyway.

Mr. Yeoman: Yes, I did.

Mr. Pierce: How do you explain to people that are digging into an ore face that is showing 65 per cent iron ore that they should have known that that plant was going to shut down even though the ore is still in front of them. Because in many cases where there has been recent mine closure, particularly in iron ore, the ore is still there; it is not a case of the ore being depleted, it is a case of the ore becoming a mineral as opposed to becoming a product--

Mr. Yeoman: Yes.

Mr. Pierce: Because it is no longer, no longer has any marketability. So that certainly the guy -- the shovel operator has no more of an idea that the place is closing down than you or I, or the person on Wall Street, or on the corner of Bay and Bloor downtown in Toronto.

Mr. Yeoman: Yes.

Like, I would say in the case of some of the iron ore operations neither the employees nor management would have been aware of it. But there is one other aspect to it, that the close-down of the mine will tend to be extended, like, it has got to be environmentally secure. There is going to be a lot of salvage coming out of it in terms of equipment, in terms of wire cable, everything will be pulled back. So, there is a little bit longer there, but--

Mr. Pierce: In the--

Mr. Yeoman: --Mr. Pierce, in the case of iron ore the process has been much shorter than I think any of the other base metals, precious metals would have been, say, shorter in the experience in that area. The iron ore was a much more accelerated process, yes. And it could happened--

Mr. Pierce: Well, let's look at base metals, if we are going to talk specifically about mining.

Mr. Yeoman: Yes.

Mr. Pierce: And International Nickel in Shebinou, that has probably one of the highest grade nickel contents of any of the mines that they operate.

Mr. Yeoman: Yes.

Mr. Pierce: And yet International Nickel at Shebandawan was shutdown.

Now, it is shutdown with no anticipated date of opening. It is still being maintained, but the employees have been laid off.

Mr. Yeoman: Yes. Yes.

Mr. Pierce: What about that kind of situation? I mean, it is dormant, but the mineral is still there.

Mr. Yeoman: Yes. Yes.

Mr. Pierce: Those employees really had no idea that it was that close to being shut down.

Mr. Yeoman: Yes. Mr. Pierce--

Mr. Pierce: And yet, they are the victims of the shut down.

Mr. Yeoman: Yes. I am not familiar with that particular situation of Nickel, but-- of that particular situation. But was it a prolonged process, like, did it have longer than six months before they knew if-- Like, I have to ask this question because I am not familiar with this particular situation.

Mr. Pierce: I guess, as you have indicated in your remarks, that a mine starts to close the day it opens. So that everybody lives with that attitude that some day this place is going to go away.

Mr. Yeoman: That's right.

Mr. Pierce: Or that it is no longer going to be here for me to come to work to.

Mr. Yeoman: That's right.

Mr. Pierce: You also live with the anticipation that if I am lucky it may outlive my lifetime and I am going to have a job here for life.

Mr. Yeoman: That's correct.

Mr. Pierce: And the other thing that happens, of course, is that in the better days of the mining the industry, and I say "the better days" because that is what they were.

Mr. Yeoman: Yes.

Mr. Pierce: In the 50's and the 60's, mining companies had no hesitation in telling the employees that in many instances this job is good for a hundred years and your kids will be working here long after you are gone. And then you find out two years later the employment officer was laid off and you are next.

Mr. Yeoman: Yes, that can happen.

Mr. Pierce: And that has happened in many of the mining situations. And, you know, we are talking specifically about mining. So, there is that degree of uncertainty, but there is always that degree of hope that it will continue to operate.

Mr. Yeoman: Yes. Yes.

Mr. Pierce: And that is evidenced in the investment that people put into the community.

Mr. Yeoman: Yes.

Mr. Pierce: As you said, you can buy your home from the company, if you are in that kind of a situation that the company, in fact, builds the homes and finances them, and then you buy it from them; and then as the closure -- as the exit of the company becomes more evident they will offer to buy back the home.

What you find out, of course, is that the home has not appreciated in value to any amount. It has really maintained its first equity position. And a home that would be valued anyplace else for \$75,000 or \$80,000 is still valued at the replacement cost in 1959 of \$35,000

and that is what you would get as a buy-out. And you do not get enough money to go out and make a downpayment on a car to get out of town with, nevermind a downpayment on a home in Oshawa, if that is where you are going.

Mr. Hennessey: To your home--

Mr. Pierce: So, that those kinds of things are relative to how you adjust for closures and what kind of time factors are involved.

Mr. Yeoman: Yes. The thing is, if you extend the length of notification for closures, some of your-- I am sure you have heard it said that some of your best people can leave.

I mean, what happens if your expert middle people decide to go to Highland Valley or something. They are gone. And those are the people who might have breathed the last year into the reserves. I do not know the answer to it.

Mr. Pierce: Well, the other thing that we are trying to address, and we have heard from any number of companies, and any numbers of representatives of unions; that the severance package that is available to salaried employees is always much, much better than the severance package that is available to unionized employees or organized labour. And nobody can really explain why that really happens, but it is a fact of life.

One representative for the Chamber of Commerce, I believe, it was in Windsor said to us that that is the cost of being or the benefit of being on salary and not being protected by a union for the full time of your employment with the company. And, you know, that does not make very good public relations in respect to who the employee is and whether he is on one side or whether he is on the other side.

But I guess the other thing that we will wrestle with and try to beat it to the ground is, is how do we address plant closures when we try to propose new legislation because we are not only talking about the mining industry, we are not only talking about single-industry communities, we are talking about legislation across the province that affects all industries--

Mr. Yeoman: Yes.

Mr. Pierce: --whether it be mining, whether it be in a department store, whether it be in a drugstore, whether it be in an auto manufacturing plant, whether it be in a ready-mix concrete plant or wherever it is.

And that is the kind of thing that we will have to wrestle with and it is a bit of an unfortunate situation that how do you put out that kind of legislation that does not adversely affect one industry to the extent that it forces them into closure. And at the same time it brings in legislation that protects the employees from the bad guy company out there that does not really give a damn about him. When he goes to shut his operation down he just closes the gates and says to them, "That's it, we are finished." And so we are dealing that kind of a situation as well.

The other thing, of course, is when you talk about a community fund, and the fund that should have some funds available to assist the laid-off worker, what do you do in a single-industry community where the person who is affected did not, in fact, belong to the major company that shut their operation down.

And I go back to the drugstore with the guy that went in there and, first of all, put his money to put his store in. And then continued to put more money out of his profit into the store to continue to operate and service the community. And then all of a sudden the mining company shuts their operation down. He is forced to play off three of his five employees and is left with a store that has a real property value of about 20 per cent of what it would normally have under good conditions.

Is he able to tap into the fund as well for assistance?

Mr. Yeoman: Well, it would seem that he would be one of the affected people, insofar as you deemed that there was a need for a fund. He is as affected as the miner at the face.

Mr. Pierce: But the response that we get is that, "No, he shouldn't, because he did not contribute."

Mr. Yeoman: Well, I am not sure how people define contribution--

Mr. Pierce: I don't either.

Mr. Yeoman: But I would not be a hard rock miner if I could not get, you know, the drugs that I need for, you know, sickness or whatever.

And there is one thing that-- if I could? I believe the Chairman asked the question about how does a small business person adapt to the changing to the reduction of the size of employment in the area?

Well, again, they tend to reduce inventories. Whereas previously you might have had three of one item in your hardware store, you now find two. They would probably tend to try and get extended terms insofar as they can from their supplier, but there is a limit to that. But the whole system backs up once that occurs.

But each one has their own survival strategy going on. And obviously he won't take any more -- he won't finance any inventory out of debt. The inventory that he is not replacing would be used to pay down debt, et cetera, et cetera. But that example you gave, Mr. Pierce, of the druggist, he is an affected party.

Mr. Pierce: Well, I think one of the examples that we saw before the Committee was the one of Goodyear Tire where there was somebody across the street that was operating a lounge and a bar, and a place for a bowl of soup, and they were going to be very much affected by the closure of the Goodyear plant.

Mr. Yeoman: Yes.

Mr. Pierce: So, if you had legislation that required Goodyear to give a year's notice, what about the guy in the bar? Does he require, you know, does he have to give a year's notice as well?

Mr. Chairman: I take it, Mr. Pierce, subscribing to that old economic adage, that the presence of risk is what justifies profit.

Mr. Pierce: Well, I guess there is a certain amount of risk the day that we are all born and we are all subject to taking some risk. And it would appear that what we are doing here is trying to draft legislation so that there is no risk involved for some, but a measure of risk involved for others, those that may share profit.

Mr. Wildman: When you're born.

Mr. Pierce: Let me tell you in conclusion to my remarks is that--

Mr. Wildman: Your birth is the result of someone else's risk.

Mr. Pierce: --but I worked in the mines for 25 years and I recognized that there was an element of risk as well and did a few things to ensure that when those mines close that I would be able to still survive. But it would appear that there are others - and certainly we know that there are others - that do not manage well, and we try to build in some protection for those that do

not manage well.

There are others that get caught into a situation that did not have any chance to manage; particularly the person that came in on the last year of the operation with the idea that he was going to have a job for the next 25 years and finds out that it was unfortunate that he was just the last guy in the plant gate and he is going to be the first guy to leave.

But I have no other comments, Mr. Chairman. I think that we share your feelings as much anybody does.

Mr. Chairman: Thank you. Thank you, Mr. Pierce?

Mr. Pierce: I think we also recognize that we are all here with an element of risk as well.

Mr. Chairman: I am sorry I teased the bear.

Mr. Sanderson: Just in reply and without leading off too much into another issue.

There are some costs of closure and adjustments and you are arguing about where they should come from. It seems to me that the Provincial Treasurer here suggested that there were funds available through lotteries and it may be that--

Mr. Pierce: Oh, we can open that one up all right.

Mr. Sanderson: It may be that the whole of Ontario should be contributing in such a way.

Mr. Yeoman: --lotteries--

Mr. Wildman: You will be pleased to know that lotteries -- "They are a tax on fools."

Mr. Sanderson: Voluntary taxation.

Mr. Chairman: Mr. Hennessey.

Mr. Hennessey: Thank you very much for your brief.

Do you feel that the employees should be given more notice in the closing of a plant?

Mr. Sanderson: In general? I think they should be given as much notice as possible.

Mr. Hennessey: The other question that I

asked before that when it comes to our attention that a plant is going to close -- naturally if a fellow has a big mortgage and things like that, or a family, and he is aggressive, he wants to locate somewhere else. He has the opportunity of getting a job somewhere else and the company says to him that, "If you do not stay until the last day you lose your pension and your benefits."

Do you think that is fair?

Mr. Sanderson: No, not really.

Mr. Yeoman: Could you say -- I thought that someone might ask about the Adjustment Fund which was in the report, but I thought it might have been developed a bit more perhaps.

But again, with respect to Mr. Hennessey's question, to the degree that such Fund exists, like, we used to have the Registered Home Ownership Savings Plans, it can only help the situation, in my mind, recognizing the difficulty in finding jobs in, say, the Northern communities.

Mr. Hennessey: You mean to say, sir, that the Adjustment Fund should take care of that?

Why should a company that is capable of paying the pension -- I mean, the fellow has put into it many, many years and the company has probably invested it to some extent and it has accumulated. Let's say that if a person has eighteen years or twenty years, it is very difficult to say, "Well, I am going to take up another job and give up eighteen years of benefits" when maybe in eight years from now he is going to start collecting his pension.

Mr. Yeoman: No, Mr. Hennessey, I would agree with the answer that the President gave there.

I am just saying that when that move takes place, that the person moves, the pension vests under the new legislation, hopefully. That he could move to British Columbia or she could move to British Columbia, and that they also - provided that they used monies that had been previously set aside under which a tax advantage was given - that those monies would be used to help the relocation process.

Mr. Hennessey: But he will not lose his pension?

Mr. Yeoman: No, no. Not at all. That is what this is, to recognize that he might have to cross the country for a job.

Mr. Hennessey: You should have appeared earlier.

Mr. Yeoman: No, I think that is worth looking into.

Mr. Chairman: Thank you, Mr. Hennessey.

Mr. Sanderson, Mr. Yeoman, thank you very much. I think I speak on behalf of the Committee in thanking you for a very thoughtful brief and commend you for the establishment of the National Resources Committee. It speaks well of the Chamber.

Thank you very much.

Mr. Sanderson: Thank you all very much.

Mr. Chairman: That is the end of the appearances today.

For members of the Committee we have a small decision to make. Tomorrow is the end of the public hearing process. In the morning, we have the Worker Ownership Group and the Doctor Purchase from the Economic Policy Branch of Treasury and Economics. In the afternoon we have the Ontario Federation of Labour.

That leaves Wednesday and Thursday to proceed with the recommendations that Albert will be laying before us. Now, whether you want a chance to look at this legislation governing Plant Closures to Survey. It's very thorough and lays before it not just the Canadian examples, but other jurisdictions as well.

That leaves Wednesday and Thursday to complete that process. We are scheduled to be here in the Amethyst Room both days and I would assume -- I am not sure why the people wanted to have the writing of the report televised on the legislative channel, not that it bothers me but it is a strange process.

Pardon?

Mr. Pierce: Requested across the province or is that...

Mr. Chairman: I really do not know where it came from. But if there is no problem with the Members of the Committee, we will proceed on that basis. That starting on Wednesday we will have the various options for recommendations laid before us and we can proceed from there and try to proceed with the ones on which there is a consensus first.

Mr. Wildman: We would hope to have some of proposals delivered to you perhaps by tomorrow night.

Mr. Chairman: That is a good point, Mr. Wildman. I did mention earlier that if people wanted to feed into the hopper; namely, Albert Hopper, the suggestions for recommendations to the Committee would be very helpful, if we could do--

Mr. Wildman: I am not sure what sort of--

Mr. Chairman: It is not easy to do, I know that.

Mr. Pierce: Mr. Chairman, is it normal procedure for the Committee to write their report in-camera or do you open the doors and the floodgates, and let everybody in when you are writing your report?

Mr. Wildman: It has been done both ways, but in most cases it is done in-camera.

Mr. Chairman: It is done both ways.

Committees make their own determination in that regard. That is why I raised it, as a matter of fact. If we wished to proceed with it with the cameras and the doors open, that's fine, that it does not bother me. If, on the other hand, some Committee Members or the majority of the Committee wishes to do it in-camera where there is less of a temptation to be rhetorical, I will put it that way, then certainly the Committee can do it. There is all sort of precedent for that as well.

Mr. Hennessey: Mr. Chairman, may I make a suggestion, perhaps-- in view that all of the members are not here that we wait until tomorrow morning to make sure all the members are here, and at that time we get a consensus or the opinion of the majority.

Mr. Chairman: Okay, I think that is a good suggestion, because there is no need to try and force it through the Committee.

All right. We are adjourned until tomorrow morning at 10 a.m.

---Upon adjourning at 5:19 p.m.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

PLANT SHUTDOWNS

TUESDAY, MARCH 3, 1987

Morning Sitting



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

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Clerk: Decker, T.

Staff:

Nigro, A., Research Officer, Legislative Research Service

Witnesses:

From the Worker Ownership Development Foundation:

Iler, B., President

Phillips, E., Director

From the Ministry of Treasury and Economics:

Purchase, Dr. B. B., Assistant Deputy Minister and Chief Economist, Office of
Economic Policy

Silk, Q., Assistant Director, Sectoral and Regional Policy Branch

Tylee, J., Director, Economic Policy Branch

Tychsen, S., Senior Policy Adviser, Economic Policy Branch

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, March 3, 1987

The Committee met at 10:00 a.m. in room 151.

Resuming review of announced closures of manufacturing facilities.

Mr. Chairman: The Resource Committee will come to order. This is the last day of your public hearings into the question of plant disclosures and shutdowns.

Today we are hearing from the Worker Ownership Development Foundation, and from Dr. Purchase from the Ministry of Treasury and Economics after that, and this afternoon we will hear from the Canadian Federation of Labour.

So let us proceed with the Worker Ownership Development Foundation. Mr. Brian Iler on our left, Mr. Ethan Phillips on our right. Welcome to the Committee.

I think that most members are not that familiar with your organizations so it would be helpful if you gave us a little bit of background.

Mr. Iler: The Worker Ownership Development Foundation was established approximately four years ago to provide public education, research and assistance to individuals and organizations interested in the concept of worker ownership and, in particular, the particular form of worker ownership based on a co-operative model which we will call worker co-operatives.

The organization is supported by the co-operative movement, that would include the housing co-operatives, the farm supply and service co-ops, and the larger insurance co-operatives as well as the credit unions, and is also supported by the major churches, particularly the Roman Catholic, Anglican and United churches.

We would like to speak here today in support of a particular model of employee buy-out based on co-operative principles. The concept of worker co-op is based on co-operative principles of one member, one vote. In terms of employment of worker co-operatives, all employees should be members, with certain small exceptions. No persons who are not employees should be members, and that there should be a limited return on capital. These are essential modifications of the usual co-operative principles which we see applied in other co-operative organizations, modified for employee ownership model.

We have one example in Ontario that one can point to of a potentially successful worker buy-out based on

co-operative principles, and I will point to a number of examples outside of Ontario. But when we talk about potential for worker co-ops in the employee buy-out situation to deal with plant shutdowns, we, in Ontario, look primarily to the Canadian Porcelain experience of several years ago in Hamilton, Business Manufacturing Porcelain Insulators, which was in receivership on analysis as a result of essentially bad management and under-capitalization.

The trade union local in that plant took the leadership, and after several months obtained financing on an ad hoc basis from the Ontario government and the local municipality, achieved an immense amount of local community support, submitted a bid on behalf of the employees on a worker co-operative basis to purchase the assets and it was only at that time when the final bits of negotiation, final few items left to negotiate were being discussed to the Receiver and the Royal Bank of Canada, which was instructing the Receiver, turn around and sell the business to an American multinational.

The workers were bitterly disappointed at that point. They had worked for several months on the model and had obtained their own financing, both for their individual investment and for their business financing. And as a result appealed to Sinclair Stevens under the FIRA legislation. Unfortunately, that was the last application under the FIRA legislation and the application was denied. The plant is in business, being run by the multinational, essentially based on and following the business plan developed by the workers, and it is successful.

So we can look to that as a potential operation which could have been imminently successful as an employee-owned business.

What's important about the worker co-op model is it has several features that are unique and distinct from an ordinary employee buy-out or a buy-out by another, if you will, capitalist business. Because of the limited return on equity there is little incentive on the part of the employee owners of a worker co-op to sell out. I think the best example that we have seen of an employee buy-out that ultimately was sold out to foreign owners and jobs were lost was the the experience in Peterborough of Pioneer Chainsaw. Employee buy-out, not based on limited return on equity, not based on one worker-one vote, but based essentially on management ownership and majority management ownership, ultimately the employees ought to sell their shares at a significant profit, business was bought by a Swedish multinational and ultimately shut down. Jobs were lost, ultimately; preserved jobs for the short run, in the long-term jobs were not saved. It is our concern that without adopting a cooperative model of limited return on

capital and "one employee, one vote", jobs do not get preserved in the long run. In fact, based on that model it can be demonstrated that jobs can be saved, can be preserved in the long run.

There is a significant example of successful worker co-op development in Spain, a network now of some 20,000 employee owners involved in a network of 100, approximately, worker co-ops. There in 1981 in the depths of the recession not one job was lost. Because it is based on the "one employee, one vote" model and controlled by them, the emphasis was not on saving capital and laying off workers, but rather on saving jobs. And not one job was lost in Mondragon in 1981.

We can look outside of Ontario. Other provincial other provincial legislatures have adopted programs in support of the worker co-op model. The best example is Quebec. In Quebec -- and we have outlined this in our brief which was submitted to the Ontario government last fall, and I would be pleased to file a copy with you. In Quebec, the government has adopted a program in support of worker co-operatives, financing initial feasibility studies; providing seed capital for specialized worker co-op resource groups; and providing loan guarantees and other forms of financing to assist employees in buying out their businesses.

We would ask this Committee to support our brief and the proposals, based on the Quebec program, and ensure that the recommendations of this Committee are compatible with and in support of the development of a worker co-operative program in Ontario.

As I said, Quebec is the model we looked at most. All other provinces except for British Columbia and Alberta have adopted a worker co-operative support program. In addition to the adoption of the worker co-op program spelled out in that brief, we have also asked the government and have submitted a package of amendments to the Co-operative Corporations Act, to facilitate and to recognize the concept of worker co-operatives as a concept and to provide minimum requirements and structuring for the worker co-operative model.

So I guess in summary what we are saying and what we are asking this Committee to do is, first of all, endorse our brief and ensure that, in terms of your recommendations, ensure that adequate provisions are made to ensure that employees have available to them the opportunity to consider and explore the worker cooperative model as an alternative to seeing their businesses, upon being shutdown, either their jobs lost, ultimately, or immediately.

Specifically, we would submit that in terms of notice,

adequate notice of plant shutdown be given to ensure that there is time to explore the worker co-operative option, and we would suggest that where more than 25 employees are affected, notification to employees and government be increased to 26 weeks; that employees be entitled to severance pay after an employment period of 2 years; that employers be required to justify major plant shutdowns; that the Ministry of Labour be mandated to assess the economic and social impact on communities of major plant shutdowns; and, lastly, that an employee community adjustment fund be established to facilitate alternatives to plant shutdowns, and that the fund contain provisions for feasibility study and financing assistance in situations where the workers have chosen the worker co-op and buy-out option.

Those would be our submissions.

Mr. Chairman: Thank you.

Any questions from members of the Committee?

Mr. Pierce?

Mr. Pierce: Mr. Iler, do you have copies of your recommendations?

Mr. Iler: I can certainly provide them to you.

Mr. Pierce: I think that's important because I wasn't writing them down. I don't how many others members were.

In the Province of Ontario can you tell me how many employee takeovers there has been, or how many are in the group that you represent?

Mr. Iler: In terms of employee takeovers, we can't point to any at this point. I think if Canadian Porcelain had been successful that would have been our first and perhaps an example we would all be pointing to to say here is the model and here is how it works in Ontario.

Mr. Pierce: What about Pioneer Chainsaw?

Mr. Iler: Pioneer Chainsaw was not a worker co-op buy-out. It was not based on the "one employee, one vote" model, nor on the concept which is one of the co-operative principles that there be limited return on investment. When I say "limited" I don't mean reduced, but paying a fair price for capital, and the balance of the equity in the business is the workers on the basis of their labour contributed, not on the basis of capital contributed.

It removes the incentive for the workers and everyone to sell the business out to someone else who is going to pay a pretty price and then ultimately perhaps shut it down.

You lose the community control; community control meaning control by the employees who work in the plant and that local decision-making, which is so important to ensuring that people's interest in the local community are taken care of.

Mr. Pierce: How would you rate an employee takeover of a company such as Goodyear Tire, for example, where your product line is geared to a major buyer, and of course Goodyear Tire isn't going to give up the customer, but they are going to close the plant. And so you have got 12- to 1500 employees that conceivably could put together the necessary finances to buy a plant that Goodyear claims is no longer operationable because of the way it was structured.

How do you rate that kind of a takeover by the employees when you are struck with a major customer to buy in, that major customer, of course, being in the hands of the person that is selling the business?

Mr. Iler: I guess there are two points to make there. The first one would be that the worker buy-out model is not a panacea for every plant shutdown situation, and while it is something that should be explored in every situation, it may not be the appropriate one. Similarly, the worker co-op designed for worker buy-out may not be appropriate for every worker buy-out either. It may be that you need a mixed involvement of government and private financing as well as workers.

I guess the second, what's important in every situation is to have the time necessary to do a proper professional feasibility study to establish just what the market is and what the potential market would be, what the capital requirements are, whether the business has reasonable chances of success as a business, and then whether we will work as an employee buy-out or as a worker co-op.

I think what we are looking to this Committee for is some guarantee for workers that the option of employee buy-out and the option of a worker co-op/employee buy-out can be fully explored and financed at that stage in terms of doing the feasibility study necessary to ensure that that is not available and, if it is, then we need the next step: the professional advice, the financing, and so on, to make it work.

Mr. Pierce: One of the reasons that this Committee is here is to make some recommendations and possibly draft some legislation that would provide longer layoff notices, earlier shutdown awareness, better severance packages by legislation, and additional assistance to employees. And we are looking at major closures as they reflect on single-industry communities of resources that really are not

conductive to employee takeovers. And I am talking about the mining industry; I am talking about the forest industry, and again where you are restricted by the buying customer, and of course, restricted by the economy of the country.

I guess what I am looking for from you, because you represent a worker ownership foundation, is how do you see us applying your concept to those kinds of situations with single-community industries, or do you see it working at all?

Mr. Iler: Again, I have two answers. I think the first one is, at this point in the development of employee ownership and in the development of a worker co-operative system such as we have seen in other countries, Spain, Italy, France, even Israel, we don't have the accumulated amount of risk capital necessary to finance a capital-intensive business, such as, say a major forest products company, for instance. When you have an exceptionally high demand for capital per employee, employee buy-out really isn't that great an option at this time.

On the other hand, when you look at a number of forest products companies, and that may be an example in Quebec, it was a partial employee buy-out, partial management, a substantial contribution from the Quebec government and from the federal government and, as I would recall, perhaps some contribution from the local municipality. Again, this is a paper mill, a large paper mill which, I guess, when the business plan was done it was indicated it was likely to be feasible financially. The necessary sources of capital were found not just from the workers but from other sources as well. It is not a majority-owned business by the employees, but the participation of the employees was central and key to the success of the operation.

I think it has been demonstrated that the more employees participate the more productive the business is. You can understand the logic of that. When you have got a greater stake in ownership in the business the more likely you are to ensure that things aren't wasted and that you are more productive in your own work, and that mistakes don't get made as often. You are more committed to producing if you are going to participate to some extent in the bottom-line of business. So that's that.

In Quebec, there is very substantial development of worker co-ops in the forest industry. Thousands of jobs created in the forest industry in worker co-ops, and I think the experience in Quebec in terms of job creation through the worker co-op model, with a very substantial and innovative support program from the Quebec government is interesting, and might be useful for this Committee to look at in terms of just how they have done it and how successful they have been. I find it fascinating just to see the

growth in jobs and the growth of the model, and the importance of the model, of the worker co-op model, in particularly the forest industry, although by no means is exclusive to that.

Use of capital is an important one, no question.

Mr. Pierce: Would you just briefly --

Mr. Ferraro: I have a supplementary to that.

Mr. Pierce: Okay. Go ahead.

Mr. Ferraro: Thanks, Jerry. A supplementary. How often, if ever, does it happen that, either in a scenario as Jack was alluding to where you have a single industry large resource entity, or in any other scenario, that the corporate entity remains a participant in the scheme for the worker co-operative, or whatever, from the standpoint of either they are holding paper or they are holding a minor shareholder's position, or is it, in a hundred out of a hundred cases, they sever the court entirely?

Mr. Iler: It is hard to answer that from our experience because we don't have much experience in Ontario of employee buy-outs. It is a fairly novel concept for Ontario. It is not for Quebec; it is not for the Maritimes; it is not for other parts of the country.

Mr. Ferraro: Has it happened, to your knowledge, at all in that regard?

Mr. Iler: In terms of finding capital - I think this is essentially what you are talking about -- look at two examples in B C. of, I think it is a pulp and paper plants -- no, plywood plants, in B C: one where the plant was in economic difficulty, the workers bought - leased the plant from the owners and operated as in a worker co-op. They did that without the support of the trade union and cut their wages. And the International Woodworkers of America were very upset, opposed the lease, opposed the worker co-op, and ultimately the Union was discredited. It works.

Another operation was purchased - a plywood operation - was purchased by the workers with the support of the union. The union wages continue. It is a much more modern plant and there is no financing back, no leasing arrangements, and that has been quite successful. It has been wholly supported.

Mr. Ferraro: That has not happened in that context with a corporate involvement, to your knowledge, as yet?

Mr. Iler: In that context, no.

Mr. Ferraro: Do you envisage it as a --

Mr. Iler: That is one of the alternatives. When you talk about leasing that is one way that the workers are financed in terms of --

Mr. Ferraro: Or holding a mortgage?

Mr. Iler: Yes, or holding a mortgage. I thing in terms of an ordinary business acquisition we look to all the alternatives in terms of financing and the reopening of a plant, and one of those, of course, is a mortgage back, some equity participation, on and on. I think those alternatives have to be available.

The capital is usually the hardest thing to come up with in this situation. You might come up with the market, you might come up with the product, the technology, the expertise to make it, and so on. Coming up with the capital is the hard one.

Mr. Ferraro: That is why I asked the question.

Mr. Iler: It is a very difficult issue.

Mr. Chairman: Back to you, Mr. Pierce.

Mr. Pierce: Mr. Iler, could you briefly again give your recommendations at the summarization of your presentation?

Mr. Iler: First, that where more than 25 employees are affected that notification to employees in government be increased to 26 weeks; essentially then basically giving workers enough time to explore the option. That employees be entitled to severance pay after an employment period of 2 years. That justification be required of employers to justify major plant shutdowns. We know that the reasons aren't always economic and not always related to the financial viability of the particular plant being shut down, particularly where there are multinationals involved. That the Ministry of Labour be mandated to assess the economic and social impact on communities of major plant shutdowns. And that an employee community adjustment fund be established to facilitate alternatives to plant shutdowns; the fund contain provisions for feasibility study and financing assistance in situations where workers have chosen the worker co-op buy-out option.

Mr. Pierce: Let me ask you on Item No. 3, the justification. What happens if the plant closure is not justified? If you are Mr. "X" and you want a toy factory and you just decide that at the end of January of next year you are going to retire. You are going to shut your operation down and go home or sit in the Barbados for the next five years of your life. What happens then?

Mr. Iler: Well, you are creating an environment in which there is additional information available to the employees and to the government to explore other options. It may be that the assets would be available for purchase, and without the information and without the justification it would be hard to know whether the business might be viable. You are getting extra information; you are creating a public climate in which the owner may feel compelled to sell.

I don't think at this point we are suggesting that owners of plants they wish to shut down be forced to sell to anybody, but in terms of creating a public climate we think that is important at this point.

Mr. Pierce: You are not suggesting that we whip the person back into operation and that they have to continue operating?

Mr. Iler: I wouldn't think that this government or any government should be in that position.

Mr. Pierce: All right. Your community adjustment fund, one of the questions that has been raised in respect to a community adjustment fund: Where does the money come from?

Mr. Iler: It would have to be government money.

Mr. Pierce: You are not suggesting that the existing employer contribute to an adjustment fund?

Mr. Iler: That is one of the things I would look at.

Mr. Pierce: That is not your suggestion at this time?

Mr. Iler: Well, you are already looking at severance pay for the employees and that would, itself, create a fund which could be used for an employee buy-out. What we are looking for is additional financing available for the employees from government to provide the adjustment.

Mr. Pierce: You are suggesting that the severance pay could be considered as the employees' equity towards the purchasing of an existing plant?

Mr. Iler: It is certainly one way of providing it.

Mr. Pierce: It would be tax sheltered?

Mr. Iler: Unlikely

Mr. Pierce: But you are not suggesting that it could be tax sheltered, because that is also an option that we

looked at in other countries where employer groups could shelter part of their profit providing it went back into their industry to enhance the industry and thereby it was sheltered?

Mr. Iler: I will tell you, I have considered that and would be very pleased if that happened.

Mr. Gillies: I think everybody but Bob Nixon would be.

Mr. Pierce: Thank you, Mr. Chairman.

Mr. Chairman: Mr. McGuigan.

Mr. McGuigan: Thank you, Mr. Chairman.

I wonder if you would, first of all, tell us more about the Foundation. Since are no successful cases here in Ontario, I am just wondering how you operate, where you get your money from to operate the Foundation?

Mr. Iler: The Foundation is a registered charity and does receive donations from supportive individuals; it also receives a significant amount of support from the established churches; a number of Roman Catholic orders, the United Church, the Anglican Church, the Royal Council of Churches has a fund for community economic development, which this is within that category, of course. The co-op movement as a whole has provided support: donations have been received from Credit Union Central; a number of the co-operative institutions, which I am sure you have aware of, insurance and Gay Lea Foods, UCO, and so on.

So at this point it is supported financially by individuals, co-operatives and the churches. We have received some support from labour: the Metro Toronto Labour Council co-sponsored a conference we held several weeks ago on trade unions and worker co-ops which was quite successful.

Mr. McGuigan: Do you have you have an office in Toronto here?

Mr. Iler: Yes. We operate on a very low budget, as you might expect, at this stage in our development. We cannot meet the demand, we cannot meet the interest; the phones are ringing all time. A lot of requests for information.

Mr. McGuigan: I wonder if you can tell us more about the pioneer? I am very interested in that. I suppose if the company is successful and makes money and rather than pay dividends on capital on private enterprises the dividends would go to the workers and the share values don't change.

Mr. Iler: That is right.

Mr. McGuigan: So, therefore, the only benefit to that worker in owning shares is through the job. When he retires there might be some retirement benefits, but there is no great big sum he is going to pick up by selling the shares. And I gather from what you said, the shares were sold. I wonder if you can tell us more about the scenario, how it affected the company and what was the result of that?

Mr. Iler: With Pioneer Chainsaw the shares were sold to a Swedish company which shut the plant down. It wanted the market, and had adequate capacity elsewhere in the world to produce the machinery that that plant was producing.

You are right. In the employee ownership or with the co-op model there isn't a lot of money to be made; there is not capital gain to be made on the part of workers owners. And the major goal of the operation is not to make money but to provide employment and to secure employment over the long run almost as a trust for the future employees. When you have as a top priority provision of jobs, provision of employment, the other things are less important.

We are intrigued by and have adopted in the small worker co-op operations we have assisted in Ontario so far, the Mondragon system is being adopted; whereby, after payment of the cost of capital, if they have had to borrow or find outside investors for a project at market rates, the balance of the surplus generated after payment of reasonable wages to the employees is as determined by the Board of Directors elected by them.

Surplus generated in each year and losses, if there are any experienced in each year, are divided; 70 per cent allocated to the employees on the basis of their labour, their wages either calculated pro rata based on wages or on the basis of hours worked, there is a choice there; 20 per cent to what is call a general reserve or collective capital account, stays in the business; and 10 per cent paid out community works, like a tithe, if you will.

Mr. McGuigan: It goes back to the old tenet of the property movement. Education, I think was where--

Mr. Iler: Exactly.

Mr. McGuigan: --they put the money in education.

Mr. Iler: Exactly. Now What is interesting about the 70 per cent allocated to the workers is that it is not paid out. It is kept in the business, to their credit, and provides working capital to both stabilize the financial condition of the company and to expand. And it is only paid out when the employee leaves, resigns or retires, then there is a fair nest egg of money which is the accumulated surplus

allocated to him or her over the years together with interest, and so on.

It creates a very nice model and a very stable model. The history of the Mondragon system was one of incredible, steady growth over the years, from when it was established in the mid fifties up to now, because of those features: the 70/20/10 split. I have been involved in assisting a food store in Toronto which has now approximately 20 worker owners and expanding up to three times size would bump up to 40 worker owners. They have adopted Mondragon model and it has operated very successfully for them.

Mr. Wildman: Is that the Spanish one?

Mr. Iler: Yes. The Mondragon system in Spain, yes.

Mr. McGuigan: And the system you describe is almost step-for-step the same as the farm co-operatives?

Mr. Iler: Very much; when you talk about reinvestment of -- dividends, yes. It is the same model, and worker co-ops is really the next stage in development of the co-op movement. The co-op movement itself has recognized, to some extent Mondragon recognizes the need for rejuvenation internally in the very sectors the co-op movement is very strong in. It has also recognized that worker co-ops is the next stage in development, and if the development of co-ops is responsive, people working collectively to meet their needs, and we see the development in farm supply and we see the development in credit unions and retail credit or individual credit wasn't really available to individuals, but credit unions, and now we look at housing co-ops and have the development of a very sophisticated and large housing co-op sector in Canada. The next step is worker co-ops applying the same co-op principles to employment situations.

Mr. McGuigan: Just stepping back to the Pioneer. I think what you are telling us then is a Swiss company bought it simply to get rid of it--

Mr. Iler: Swedish.

Mr. McGuigan: --as a competitor.

Mr. Iler: As I recall, it operated for a year or two after it was bought, and then the jobs were lost.

Mr. McGuigan: If you put your profit into the shares you lay yourself open to that type of a buy-out?

Mr. Iler: A similar situation happened in Vermont in an asbestos mining company which was again bought out by the employees, but the shares fluctuated based on market value,

and ultimately they sold it off. They made a good profit, but there is no guarantee in that situation that jobs are safe and maintained.

Mr. McGuigan: I guess one could presume that there is a more or less hostile climate out there, from a philosophical point of view, that would like to see the co-op go down?

Mr. Iler: It is difficult finding financing, I think that's where you run into that climate most, and you find that when you go to the banks you raise capital by way of loan. We have been working with the Credit Union Central in terms of developing a facility there to provide financing for worker co-ops, and the Credit Union Central has been very interested in working with us, and certainly was quite prepared to finance Canadian Porcelain if we had been able to buy it.

I think what we need to do is look to alternative financial institutions, not just the credit union movement and Co-op Trust, to find ways of financing as long as the mainstream institutions are not that interested. As the movement takes off, of course, that would change.

Mr. McGuigan: Do you have a line of attack that they use on the farm co-ops? If, for instance, there is a particularly large - and we will say successful - farm member in a buying co-op, most of his crops are buying and selling, but in either case rival industries will come to that one particular farm, or two or three or whatever, and offer them a deal that is not offered to everyone, simply offered to that person: we will give you another ten cents a bushel for your grain or will give you ten dollars off on your fertilizer, or whatever; it is an offer that is--

Mr. Iler: Hard to refuse.

Mr. McGuigan: --hard to refuse. And they soon spread the thing out. Is the worker co-op subject to that same type of attack?

Mr. Iler: I guess in terms of operating a business, a worker co-op is very much like any other business from the outside. It doesn't have to compete in the marketplace in terms of its business as a unique entity the way a farm supply and service co-op would compete with other grain elevators, say.

Mr. McGuigan: They could say to some of the key members in the work force, make them an offer they couldn't refuse?

Mr. Iler: Well, sure. I think the competition is going to be for employees with the technical expertise.

Certainly it is important to hire people who are sympathetic to and able to work within a co-operative environment, and not everyone is. Not everyone is going to be supportive of that kind of environment where, instead of one owner, everybody feels they have a stake in it and can participate in management. And I think, therefore, one of most important things in developing a worker co-op model is provision of enough training and education on what the co-op model is about, and how to make decision-making work effectively and efficiently within a democratic model.

That has been an issue in the housing co-op field, and there are specialized agencies who develop that expertise in training people as to how to run their housing co-ops democratically. We need the same thing in the worker co-op field.

One of the aspects of the proposal in our brief to the government last fall was that a network of specialized training consulting bodies be established and funded, at least core funding be provided. So, yes, there is the issue of competition for people, but we are looking for special people and looking at educating the people who are already there on the democratic decision-making model.

Mr. McGuigan: I have been a member of co-op all my life and president of one. I know the difficulties that they face. I guess the discouraging thing is, and this figure may be a few years old but I doubt if it is inaccurate, only one per cent of the business of Ontario is done in the co-operative field. That is the discouraging part of it.

Mr. Iler: Much higher in other provinces, much higher, both in credit unions and, or course, farm supply and service, wheat pools and in the retail sector. And it is also much higher in other provinces in the worker co-op sector.

Mr. McGuigan: Well, I am all on your side and I just know the difficulty.

Thank you, Mr. Speaker.

Mr. Chairman: Mr. Wildman?

Mr. Wildman: I just have a couple of short questions. Are you familiar with Northern Breweries buy-out, and obviously that wasn't a co-op but it was an employee buy-out.

Mr. Iler: Right.

Mr. Wildman: My understanding is that not too long after that buy-out about seventy per cent of the shares are

owned by one employee, which is still an employee of the company. I am just wondering in terms of the Spanish model, I understand that there is a film available. Could you afterwards give us the information as to what that film is entitled and where it is available?

Mr. Iler: It is called the Mondragon Experiment; it is one hour long BBC film. We have abbreviated it on videotape down to a half hour for shorter presentations, but the longer version and the shorter version are available. It is a fascinating film and has been an inspiration to a number of small groups in Ontario establishing their own worker co-ops.

Mr. Wildman: My other question is somewhat parochial. There has been a lot of discussion in Sault Ste. Marie after the announcement of the Algoma Steel Corporation with regard to a major downsizing - mainly among the churches - about the possibility of worker co-ops as a way of stimulating small business that would employ workers who are displaced. Has your Foundation had any involvement with those people who are attempting to organize that in Sault Ste. Marie?

Mr. Phillips: Yes. In fact we have talked to a number of folks, including people from the diocese up there.

Mr. Wildman: Tony Martin?

Mr. Phillips: Right. Exactly. We hope to continue to be in touch.

Mr. Wildman: I also had some discussions just last week with some people from Tembec about their experience. Again, as you indicated, it wasn't a full worker buy-out or, for that matter, a co-op. But my understanding is that since that buy-out, that company, the new company, has become very successful and is one of the leading companies in that part of the pulp and paper business in Quebec, and to the extent they have expanded and are buying up a lot of other operations on a similar model.

In that case, you had the full cooperation of the union with the management. How is that model different from what you are talking about in terms of a co-op?

Mr. Iler: It is a lopsided model. I think if you look at the figures the workers, for their investment, saw a disproportionately low percentage of the voting control of the business, and the few individuals who assumed the management role - I think who had been in the management role initially - received a disproportionately high percentage of voting shares for their investment. So you have seeds of conflict between those two groups, and of course the Quebec government and the Canadian government

also hold shares and that was the balance of the equity.

That is a very capital-intensive business, and it would have been impossible, I think, given the financing available, for it to have happened any other way. It may have been that the Quebec government and the Canadian government could have bargained harder with management to ensure that the employees received at least their fair share of equity shares. But it was apparent, at least this is from my understanding, that neither the Quebec government nor the federal government had much understanding for or sympathy for an employee majority controlled business and, as a result, did not want even want to see that and saw dangers in that.

We can now point to examples outside of Ontario, but in other parts of Canada and the United States and in Europe where the majority control and worker co-op model had been very successful, so those kind of fears about the inability of employees to manage their businesses, I think, would be less now. But the differences are the degree of capital required and the manner in which it is structured.

Mr. Wildman: Initially when Tembec was purchased, there were major concerns about the technology because it had to be modernization in that plant, so you needed people with technological expertise and also market, so you needed people with marketing skills and experience in marketing to be able to put it together, and it is that group of management people who initially went to the Quebec government and said, "Look, this is what we think we can do," and I suspect that's why they ended up with such a disproportionate amount of the shares.

Mr. Iler: Yes.

Mr. Wildman: I haven't had discussions with leaders with the CPU, but I understand from some of the people I have talked to that the union finds itself in the a rather odd position in that operation, in that they don't have even 50 per cent, certainly not a majority of the shares, but they are involved in management, so that they aren't really running the show but, at the same time, they are part of management so that they are not in the same relationship that a union representing workers would normally be in when they are dealing with a management of which they are not part. So they are sort of in a little limbo situation.

Mr. Iler: Certainly for trade unions involved in a ownership or co-op model requires a shift in gears. Certainly there are trade unions and co-ops in terms of protecting individual employee's rights, establish a grievance procedure that protects individual employees. It is a different kind of bargaining relationship because everything is open and all the information, the financial

information is open; decisions are made in an open deomocratic manner.

The union plays a role in addition to grievance procedure in providing the balance perhaps, and a focussed balance between the natural desires of management and the Board of Directors elected by members to reinvest surplus back in the business to expand as opposed to paying it out directly to employees as wages. And if that conflict is always there, whether you are in a traditional form of business or in a co-operative form of business, the question is how does it get resolved, and the trade union's can play a very favourable role in assisting in the resolution of that in a fair way.

Mr. Wildman: Certainly in the initial stages, if it hadn't been for the workers and the union locals, that plant would have shut down. It was their decision to blockade the bridge to Ontario--

Mr. Iler: That's right.

Mr. Wildman: --that prevented the plant from being shut down and their insistence that they would continue to work and continue to operate the plant whether management was willing to or not.

Mr. Iler: Our perspective is that a worker co-op conversion or reopening of an existing plant that had been shut down will be far more successful if the trade union is involved and if the trade union is supportive.

Mr. Wildman: I am not sure that the overall union had the same enthusiasm for the mill as the local.

Mr. Iler: We found in Canadian Porcelain that the - while it was a small union, the glass, ceramic workers - that the overall union was very supportive of the local in Hamilton attempting to reopen, and was able to call on the resources of the labour movement as a whole. I think that is key to success of an operation.

In fact, some consultants in the States who do worker co-op conversions insist that they will not work on a conversion where there has not been been a trade union because there the workers do not have the experience in making decisions collectively within their own trade union. If they don't have that experience, you are not looking at a very great situation to move on to in terms of making decisions collectively for the entire business.

If you have got the experience in democratic foundations within the trade union, as long as it has been democratic, and most are, then you have got a solid base on which to move on to.

Thank you.

Mr. Chairman: Mr. MacKenzie?

Mr. MacKenzie: The Mondragon Experiment in Spain, the film is an excellent one and probably should be "must" viewing for all the members of this House, but they are up to, what, 20,000 workers now?

Mr. Iler: Yes.

Mr. MacKenzie: About a hundred firms? Some of them are a fair sized operation, as I understand it.

Mr. Iler: They found that in growing beyond 500 employees in a worker co-op tends to create problems. There is less communication and less involvement in decision making, one grew to a thousand and they had a strike; the only strike in the history of the Mondragon system. So they now, in general, keep a cap on the size of the growth of business to around 500. Even saying that, one of the Mondragon plants is the major supplier of refrigerators and stoves in Spain. It has been that successful.

Mr. MacKenzie: There is no question in your mind that the failure of the Pioneer employee buy-out, and it was successful in keeping the place open, and they operated for a short period of time before they then sold to the Swedish firm, and the fact this it wasn't a co-operative, and just dealing in shares that may have bought them a year or two, but was doomed to failure.

Mr. Iler: That is right.

Mr. MacKenzie: Ontario, Alberta and B.C. are the only provinces --

Mr. Chairman: Mr. MacKenzie, could you lean forward a bit?

Mr. MacKenzie: Yes. Ontario, Alberta and B.C. are the only provinces without a workers co-operative program?

Mr. Iler: That is right.

Mr. MacKenzie: In terms of legislation and the assistance that is needed for it.

Mr. Iler: In terms of legislation there are only two provinces, Saskatchewan and Quebec that have enacted legislation, but all the other provinces aside from Ontario, B.C. and Alberta have worker co-op programs to support the development of worker co-ops. Some have co-operative development officers on staff specialized to assist worker

co-ops; they have financing programs available. It is just those three provinces, ours, B.C. and Alberta, that haven't seen the light on the model, if you will.

Mr. MacKenzie: I think, Mr. Chairman, that the suggestion that we not only endorse their brief but this principle is an excellent one because it is one of the tools that can be used, and if I can just give you my concern, the Canadian Porcelain situation in Hamilton, that you are well aware of - I am fairly well aware of it as well and much more so is one of my colleagues, Richard Allen, who worked with them right from day one - but the workers were willing to put their savings into that. The rallying of forces in Hamilton in terms of the churches and other groups was rather amazing and some of the expertise that management people were willing to put into the porcelain buy-out.

What frustrated me no end was the end of it really, because I can recall well being part of the delegation that sat down in Sinclair Stevens' office in Ottawa when we went down to him, and I can recall his comments about being rather amazed and impressed with the financial package and the program, and everything they put together probably was the best. But there was a clear and obvious mind-set on Sinclair Stevens' part that no matter how good the proposal was, and it was probably the best proposal, if they could get a marketplace or a private business proposal that's the one they would go with, and that is what disturbed me no end. Him practically admitting that the best proposal on the table with real worker involvement was not going to win the day if they could find another buyer.

It is fairly obvious to me that we have got to, I think, give some indication that we support these kind of efforts as an alternative or as one of the package of suggestions that can be looked at in some plant closure situations. They are not going to apply in a majority of them, but there certainly are cases that they will. One of our recommendations should be to set the foundation for this kind of legislation in the Province of Ontario.

Mr. Chairman: Thank you.

Mr. Gillies?

Mr. Gillies: Mr. Chairman.

I just had one question, gentlemen, and Mr. MacKenzie touched on it, and that is I wanted to ask you if there was a correlation based on your knowledge or experience between the size of companies where this model is successful.

The reason I ask this is in the case in my riding, some four or five years ago, The White Farm Equipment Company. The government funded a study of worker buy-out

for that company and the study's findings were that the company was too large and that the debt load was too large for the model to work. In that case we were talking, probably at that time, of 900 employees, along that line.

Is that in fact your experience, and you mentioned a few minutes ago that companies of over 500, in the Spanish experiment, they seem to run into problems?

Mr. Iler: Generally I think that's true. When you get into a larger enterprise you do lose the edge on productivity the worker co-op can offer because you lose the sense of community that is so important to making a co-operative model work.

With that said, I think it is important to state that our experience has also been that the usual consultants that businesses turn to to review the operation and look at the alternatives to plant shutdowns, are not too sympathetic to the worker buy-out, worker ownership option.

Mr. Wildman: It is supplying how many co-operative workers?

Mr. Iler: We have one in Ontario, and that is about it. What happened in Canadian Porcelain, a major business consulting company did the first feasibility study. They didn't talk to the workers much, they saw them for a few hours and that was that and they didn't listen very much, and they came up with a report which was very, very negative about the prospects for Canadian Porcelain, and particularly about the prospects for worker participation.

Another consulting body was then retained by the workers. The first one was paid and paid good money for doing the work. The second consultant, more accustomed to and familiar with and supportive of the worker co-op option, did a feasibility study in which they listened to the workers, the workers understandings of what was wrong in the plant, how it could be changed, and developed a plan which indicated there was a very, very good chance of success, and it is that plant which is being followed by the present owners who bought it from the States.

Now, there is an issue of both lack of sympathy for employee buy-outs and worker co-op buy-outs particularly, and lack of familiarity.

Mr. Gillies: That is very interesting. In the White Farm case, the study was funded by the government on behalf of the employees and the employees were asked who do you want to do this study, and, of course, the employees wanting to do it in a very professional manner, or what they considered to be a professional manner, hired one of the big consulting companies, so you are really saying that the

result was almost predictable when they did that.

Mr. Iler: It is. Now, since then, in the organization in which we work in tandem with co-operative work, which has a consulting capacity of several MBAs on staff, you do business plans and feasibility studies, even working in conjunction with several of the large, established consulting companies, to provide that input, to provide an additional element which they lack under their understanding, and so on, of the concept.

Mr. Gillies: Thank you very much.

Mr. Chairman: Mr. Bossy?

Mr. Bossy: Just a short comment, because I do believe in the concept, because I do have experience in my own riding of a small firm but it was privately owned.

Mr. Chairman: Excuse me, Mr. Bossy, Hansard is having trouble picking you up.

Mr. Bossy: There was a firm in my riding that was privately owned and the owner, because of his problems with the union, decided that he would just get out of the business and, at the same time, there was a market for the products that they were producing, but they decided one of the management plus -- and it was quite a struggle on the employees being threatened in a small community, and we are talking about a small community, approximately 120 employees in that plant, devastating to the community if the plant closed, and they did get together, and it is a success story because this is about five years ago that that transpired and I was involved then with the federal government, and there was funding from the federal government when the structure was put together in the labour, and it was a whole new atmosphere of cooperation then by the same employees that had rebelled originally and went on strike.

But they came in and then it became -- it is not a co-op, the word co-op is still a little bit sensitive in our area because the experiences in the co-op movement have not been that good in our area. But just the idea of joint management and profit sharing, which means something to the employee profit sharing. They did get organized and there was a \$300,000 funding from the federal government at the time. They got back going.

The productivity level just went up - like unbelievable. The waste level in that plant just went way down, and so that every little article that fell on the floor was picked up because that was part of their profits, and so it is a success story. So I believe there is room. But the only thing that I see that it would be very difficult to be able to do that if it was a multinational-owned or a branch plant situation or a large

corporation that decided to that.

The smaller units, and you alluded to that, that there is sort of a maximum, you say, of 500, and I can see that it would be more ideal in a smaller area of even 50 to 200 employee situation where it is more manageable, and these people in the case there of about 120 employees feel a very part of the plant now and before, it was what they could get out of the plant and not what they were putting into the plant.

Now, they have that other feeling that they are building a business, and they have just been approved by the provincial government a loan now to expand another line. It is a success story. And that is not known as a co-op, but is a joint management profit sharing plan. So that I can see that in many cases in the smaller businesses that are threatened or because some of the competitive pressures, some of the businesses that have maybe too much burden of a level of management cost that they can bring this down in a joint effort and make the place survive, as long as the market can be identified and if there could just be a market feasibility study done to be able to continue. They did that in this case, and this happened in the Town of Dresden, National Hardware, and it is a success story there. And if it can happen in one place I am sure it can happen in others. There is a lot of businesses that size that can survive, and thereby keep the jobs in the smaller communities.

Mr. Iler: Several comments. The experience in worker co-op conversions is that in terms of efficiency you don't need anywhere near as many foremen. The first line of supervision disappears. The general figure that is bandied about from experience has been one-sixth the number of supervisors, and essentially what happens is the workers in each department will elect someone who will go to the scheduling committee and the production committee to talk about what this department has to do for the week and then they work together on it, so you don't need the supervision. Of course, that enhances productivity and the business is more competitive because you don't need as many people for the same amount of product.

The second issue of size. I guess it is nicest to look at the Mondragon system, because there you have cooperation among co-operatives, and while you may set a limit on the size of one particular co-operative, they need some -- if they have grown to the point that they are reaching that limit, scoop off a portion of the business, set it up as a separate operation with which you contract to purchase your product, your component for your product, and so on, and then you can develop a network of co-operatives.

One of the co-operative principles in addition to "one

member, one vote" and the others is cooperation among co-operatives. You can build a model that is based on cooperation rather than a large multinational with all kinds of enterprises that are all owned at the higher levels, and that gets you past the issue of size and you have then a business that can - and a network of businesses - that can achieve the same results better than one very large business employing a large number of people.

Mr. Bossy: The employees that are caught in a plant closing, as we have seen in the past and is still happening today, every day, whereby the decisions are made in the boardrooms in another nation, thereby there is very little chance that an employee as powerful as a Union within that plant may be, would have any input into that decision and when the decision is made, the decision becomes final, and then in the only other area that there could be interference would have to be government, and the government are sticking their nose into too many operations now. But when they are forced, this is where we are looking to legislation now to cushion.

I mean, the impact of decisions that are made beyond the control of the employee, and then what effects it has directly on the employee, let alone all the effects it has on the community, and we still are in a world of the law of the jungle; the strong survive and the weak go down. I am very concerned about these branch plants that we have, and we have been a branch plant nation that has come down to a certain berth; we can deal, I think, fairly well with totally Canadian-owned businesses, but we are at the mercy of another nation yet because of the tremendous... and we need outside investments, so that to reconcile these things and then to be able to bring in some kind of legislation because of some abuses that we have noticed, and that is the only time we talk about bringing in legislation, is because there has been some place an abuse or a larger demand for help in resolving a problem, and I think we are dealing --

Mr. Chairman: I am sorry, Mr. Bossy. We don't have a mandate to discuss the contradictions of the capital system again. So I think that we had best move on. We have another group here. But thank you very much for your comments.

Mr. Ferraro: One of the positive aspects of socialism.

Mr. Chairman: Right. Either one. That's right.

Mr. Iler and Mr. Phillips, thank you for appearing before the Committee.

There is one thing that the committee must decide if it wants to do it and that is see that half hour version of video tape over the next two days. Would the members be

interested in doing that? We could show it here.

(Interjection)

Mr. Chairman: Mr. Phillip or Mr. Iler, if you could make arrangements to get that to us through Todd Decker, the Clerk of the Committee, we would like very much to take a half hour and see it. It would be nice if you could be here at the same time.

So, can you arrange that time with Todd?

Mr. Phillips: Sure.

Mr. Chairman: Secondly, do you have extra copies of your brief for the Committee or are they scarce?

Mr. Phillips: Yes, we can.

Mr. Chairman: So perhaps at the same time we could have copies of that brief.

Thank you very much for bringing a different viewpoint to the whole question of plant closures and shutdowns. We appreciate it very much.

Mr. Iler: Thank you very much.

Mr. Phillips: Thank you very much.

Mr. Chairman: For the balance of the morning we will go to the Assistant Deputy Minister and Chief Economist, Officer of Economic Policy, Ministry of Treasury and Economics, Dr. Purchase. And we will have no snide comments about economists this morning. We all know that there are different definitions of what an economist is, such as--

Mr. Pierce: When the country is in the shape that it is.

Mr. Chairman: --such as, if you laid all the economists in the world end to end, they still wouldn't reach a conclusion or - my background is economics so I can say these things - or if you laid all the economists in the world end to end it would be a good thing.

Mr. Ferraro: Face down.

Mr. Chairman: Anyway, Dr. Purchase, thank you for agreeing to appear before the Committee.

We were told by the Ministry of Labour people that you were the resident expert in the whole question of plant closures. I don't know whether that is a good thing or a bad thing, but welcome to the Committee.

Dr. Purchase: Thank you, Mr. Chairman, and it is a pleasure to see you again as well.

I think Mr. Ferraro and Mr. MacKenzie are probably getting a little too used to me.

But as to my expertise on layoffs, I am going to submit early to the fact that I am not as much of an expert, certainly, as I would imagine now the members of this Committee are. So I am going to be very, very careful not to engage in extended debate about Sweden or any other jurisdiction, or Spain that I have heard about this morning. I can, however, offer you some numbers on the Ontario economy and layoffs in the Ontario economy.

I will go through very quickly this presentation, because I think much of it is just going to really substantiate or at least underline what you already know and what you have heard before on layoffs. There may be some new material, as I have read the other submissions from the other ministries that you have invited to appear before the Committee.

So, if I may, I will proceed, if this is okay with you, Mr. Chairman, to go through.

The first part of our presentation really just deals with the economic context of layoffs, because I think clearly the layoff issue is less, it imposes less of a hardship on the total economy if there is a strong general economy, since people can be re-employed quickly. And fortunately in Ontario over the last few years we have had a very strong economy and we predict that 1987 will continue to have reasonably strong job growth. In the past two years we have created slightly over 300,000 jobs, which is quite a remarkable performance. We are now in our fifth year of economic expansion and, as I say, we expect it to continue.

Page 4, just to carry along quickly, indicates that there is really is behind these numbers, the numbers that you see, each month you will see we created "x" number of jobs and so forth. Those are just net numbers. In other words, there is enormous amount of flow of people in and out of the labour force and in and out of employment in any given month. So if you look just at the top part - that is a rather complicated diagram for which I apologize - but it nonetheless describes to some degree what happens out there. But if you just look at the top - this is one particular month, October 1986 - 78,000 people who were unemployed became employed, while another 65,000 who were employed became unemployed; for a net job gain in that particular month of 13,000. So the numbers you see, obviously, there will be 13,000 jobs created in a month, but a huge flow of people back and forth. This indeed happens every month as

people go not in and out of the labour -- not in and out of the labour force although that happens as well, but in and out of the employment. So there is a good deal of movement, as I say, in the economy normally.

Page 5 goes on to look at the issue specifically of job loss, that is when you become unemployed because of a layoff or some other cause such as seasonal layoff or dismissal. Here the numbers show that in that table, you have 1983 and 1986, if you look at Ontario you see the number of workers who have job loss due to layoff - or rather caused it, but it is primarily layoff - has dropped dramatically as a percentage of the labour force from 6 per cent to 3-1/2 per cent. In 1986, that compared with roughly the same as what you find in the United States in terms of job loss numbers.

I should point out to you that the numbers I am using here are Statistic Canada numbers. They are based on a survey of the labour force. They are different from the Ministry of Labour numbers that you see which actually look at particular plant closures that are over 50 employees or plant partial closures. We will get to those numbers later. But in case you wonder why there is some discrepancies between one set of numbers and another, I want to point out that these are Statistics Canada numbers and cover, in a sense, the entire economy, not just a subset which is covered by our legislation.

So, clearly as well this is a story that you know quite well and that is that we are doing, in this regard, better than other provinces.

On page 6 we have really the same story again, and that is to say if you take out the temporary layoffs from the numbers that you saw in the previous page and just look at permanent, if you like, layoffs, you will notice again quite a marked improvement in the Ontario economy where permanent layoffs declined from 5.1 per cent of the labour force in 1983 to 2.9 percent in 1986.

The Acting Chairman (Mr. Wildman): How do you define temporary?

Dr. Purchase: Maybe I will ask Sandra Tychsen or John Tylee to answer.

Sandra, do you want to try that?

Ms. Tychsen: Sure. Temporary layoffs are defined as those people who are expecting recall within a specific period.

The Acting Chairman: So, in fact, those could be permanently laid off but they have recall rights if they

were of recall?

Ms. Tychsen: No, it is not just recall rights. It is the worker's own assessment that they are expecting to be recalled to a job in a specific period.

The Acting Chairman: Fine. Thank you.

Dr. Purchase: On page 7, what we are showing here is simply that -- here we are switching to the Ministry of Labour data on plant closures and layoffs -- that the number of announced layoffs is typically higher than the number of actual layoffs, and this just shows a particular subset that we sampled. So sometimes what you see as an announcement isn't necessarily always what actually occurs, and obviously there may be an incentive to overestimate in order to minimize the possibility of running afoul of the legislation, overestimate the numbers of employees you will actually have to lay off.

Mr. McGuigan: Is it not the practice of companies who are going to lay off more people than they really expect to as they find out there are areas in which they forgot to put somebody back in there; they lay off a hundred and over the next few weeks they will bring part of them. Isn't that a fairly common practice?

Dr. Purchase: I think, yes, that is a fair comment. Where there is a legislative requirement you want to make sure -- some margin of safety to make sure that you are on the high side of that, so you probably tend to overstate the layoffs or lay off too many and then bring them back.

But it depends on the nature of the layoff. You know, if it is really truly is some kind of seasonal thing, I mean, there is a great deal of uncertainty with respect to some industries and the pattern of demand in industries, so they probably make the decision on how serious it is if they have over or underestimated the amount of production they are going to need from their own--

Mr. McGuigan: There is a case in Chatham right now where they are laying off 100 people out of 550 and announcing that production isn't going to be effected, but likely they will have to bring some of those people back.

Dr. Purchase: I can't speak to the specific instance, but that is entirely possible. No one -- as members of this committee may appreciate if they have seen our forecast, no one can be perfectly accurate about the future of the economy and not either generally, and there are more reasons for being accurate generally than there are specifically about the demand for a specific product.

If we then look at page 8, here we are looking at

closure situations both -- and this is again the Ministry of Labour data that we simply worked up into these graphs. If we look at complete closures, which is the dark part of the bar charts there or the totals, you can see that there has been a reduction from the '82 period and it has tended to level out. I don't notice any particular pattern there. Certainly, the numbers show that it is slightly down in some respects, but the only thing I could say for certain, as I look at that, is that it is clearly down from 1982.

The numbers of employees affected in terms of total closures -- although the numbers of closures in 1986 were down, complete closures, that is -- the numbers of employees affected were up slightly in '86.

Page 9. One of the things, obviously, you are interested in is what is happening. We have had -- the economy has performed extremely well, and we are still experiencing closures, either partial or complete closures.

I think it is fair to say that there is -- my reading of the situation would be that there is a considerable amount of corporate restructuring going on. If you look down the list of names, those are names that everyone recognizes, they are not sort of names that you come across for the first time. Some of the companies that have been involved, of course, are very old companies and clearly they are in a new world, for the most part, and they are changing their competitive strategies to reflect that new world.

We have had very sharp price declines in oil and in minerals. That clearly causes companies to reconsider their situations in those industries; new competition from Japan mostly, but also western Europe and from industrializing countries. If you look at real interest rates, they sky-rocketed in '79/80 and it remained at very high levels since then, tapering off a little bit but it is still high by historical standards. We have had sharp exchange rate changes, not so much Canada/U.S., obviously, with a slight decline in the value of the Canadian dollar over the period of '80s, vis-a-vis the U.S., and recently a little up-tick. But very sharp changes of North America vis-a-vis the rest of world, where we climb very dramatically along with the U.S. dollar in the early 80s against Japan and against western Europe and now we have fallen very dramatically against those.

These are such enormous changes, as I was saying to the other Standing Committee on Economic and Financial Affairs, that these changes are just of such magnitude that they really clearly demand changes in decision making. The Japanese, for example, went underground of 40 per cent appreciation of their currency in one year. That would like the Canadian dollar going from 75 cents U.S. to \$1.00 U.S.-- or 73 cents to be exact to \$1.00 U.S.

That would clearly result in quite a few changes in decisions if that were to happen, and indeed we have seen all these things happening. Technological changes--

Mr. Chairman: I am sorry. This will only take a second.

On page 7, a matter for clarification. You state that there is a lot more people that announce bigger layoffs than actually occur. Is that not possible though that the reason for the difference very often is early retirement offers and that the job losses are still as high as the announced intentions?

Dr. Purchase: Sandra, do you want to...

Ms. Tychsen: Okay. Certainly there is some element of that, but the main reason is, when following the particular cases, recalls or just people, the actual numbers not laid off is the main difference. It is not accounted for by retirements.

Mr. Chairman: The reason I raise that question is in the community that I live in and near, the Sudbury area, they will announce a layoff of "x" number of people, but then they offer an enriched early retirement package and you will get a substantial number who will take that up, then the actual layoff is reduced.

Dr. Purchase: So you show up as a retiree instead of a laid off person.

Mr. Chairman: Thank you.

Dr. Purchase: That is conceivable, sir.

Mr. Wildman: --regularly put up the list that everybody lay off whether they intend to lay them off or not just so that they can comply with the regulations.

Dr. Purchase: Right. We are not trying to make a big point of this. We are just trying to say that you do have to discount to some degree the numbers by virtue and effect. What they predict might happen doesn't always necessarily actually happen.

Mr. MacKenzie: Just so we are clear on this. If Stelco, for example, is laying off another 500 employees, that layoff is announced, then as a result of the early retirement arrangements they are making 150 employees take an early retirement; when the date of layoff is there finally there may be only 350, even though they had announced 500 originally.

What I want to know is is that part of the reduction in the number that actually take it or not?

Ms. Tychsen: This is totally dependent on Ministry of Labour's cases and the notes they have made. In some cases they have indicated different kinds of arrangements for workers, in which case we have excluded it from these tables. In some cases they may well not have caught or mentioned the number of people retiring. So they might -- might not as might.

(Interjection by Mr. MacKenzie)

Ms. Tychsen: So I think we have tried to minimize that factor, but I can't guarantee all of them are out of it.

Mr. MacKenzie: One other question, if I can. Are you doing ongoing monitoring on a monthly basis, for example? In other words, what I am wondering is do you have any evidence, is there anything to show that what has happened in the last four to six months is any higher than the figures you show for the previous year, for example? Is there an acceleration of plant closures?

Dr. Purchase: We are not doing our own monitoring; we rely on the Ministry of Labour statistics, so we don't duplicate their efforts in the field. And the numbers show what, as I have indicated here -- I think there is a lot, you know, trying to describe here and the reasons for it -- there is a lot of corporate restructuring going on in North American and some of it is a spill-over into Canada from what is happening in the United States and some of it is here amongst domestically owned corporations.

I would tend to say that -- I can't say whether there has been more in the last few months. I think there may have been, I haven't followed the numbers monthly. I mean, personally I don't look at month-to-month changes in the economy as it is necessarily an indication of exactly what is happening in the economy. I like to have a little more evidence or experience than that.

Mr. MacKenzie: I understand. I think I asked you the same thing in the previous committee. It is just for the first time in about three years, I know that at least two of the major unions called me back in late October or November to indicate that they were starting to monitor what was happening once again because they saw an increase.

I am just wondering if we don't have up-to-date information that gives us that kind of information much more quickly than waiting for the end of the year figures?

Dr. Purchase: Well, we do have what the Ministry of

Labour produces, which comes-- John?

Mr. Tylee: Monthly.

Dr. Purchase: --out monthly. Of course their monitoring is based on the legislative framework. So they look at cases where there is more than fifty.

As we will get on to later, that is a fairly small subset of the numbers of people who are actually being laid off at any one point in time.

Well, again, the final factor, I think, in terms of causes that you can look to is the fairly substantial number of government policy changes in North America, deregulation of various industries, and so forth, which clearly changes the competitive environment for a lot of firms and make them look at their corporate structure and divest some firms shutdown; others, down size. You see everything virtually going on all at once now.

If you look at the number of merges and acquisitions, for example, there is a very substantial increase both in Canada and the United States. We read more about divestment as a serious option being considered by many companies that had grown, you know, to a conglomerate status and are now looking at the possibility of divesting or spinning off some of their businesses and, of course, to some degree this corporate restructuring results in increased closure and some down sizing. But the numbers, again, as I say, if you look at the tables for Ontario, they do not suggest to me that it is dramatically larger this year or last year than it was the year before, and it is less than in '82.

Mr. Ferraro: Mr. Chairman, could I ask a question because I have to leave for a luncheon-- Can I just ask one question?

Mr. Chairman: Of course.

Mr. Ferraro: Thank you. Sorry to interrupt you, Dr. Purchase.

Let me just interject as well, Dr. Purchase, I think we are suffering from a persecution complex, perhaps, and he is being overly critical about his expertise and that of his staff as far as predicting because, I am sure Mr. MacKenzie will testify, the accuracy in certain areas is unbelievable and it is a credit to the department.

Mr. Chairman: Unbelievable you say?

Mr. Ferraro: In some circumstances.

Mr. Wildman: Incredible.

Dr. Purchase: Thank you.

Mr. Chairman: I thought that is what you said.

Mr. Ferraro: My question, Dr. Purchase. On No. 4, getting back to this chart and I guess basically in general, does this chart account in some manner, shape or form, or indeed should it, for the tremendous amount of influx of returnees and indeed new Ontarians to the province?

Dr. Purchase: Yes, I think it is does.

John, do you want to respond to that?

Mr. Ferraro: Do you have an idea how many that is? I have heard a number of figures.

Mr. Tylee: No, I don't have an idea of that, but Quaid might have the migration.

These numbers generated out of the Labour Force, and as you can see they are pretty large numbers. That is based on the sample only of 8,000 people. I mean, they only actually surveyed 8,000 people, but they a very sophisticated way of expanding the sample. So I think on a month-to-month basis you are not going to get those changes in the base population. The rebasing is done on an annual basis, in which case basically what happens is they increase the size of the multipliers to move from 8,000 to 5-million is basically what we are talking about.

Mr. Ferraro: So if 10,000 people moved back in one month of moving it wouldn't necessarily be indicated here?

Dr. Purchase: I think it does.

Ms. Tychsen: The population does increase--

Dr. Purchase: I mean, there is probably a very technical answer to your question, but yet we have had some net interprovincial migration in Ontario is about 32,000 a year over the past three years, I think. That does show up in the latest number.

Mr. Ferraro: I heard 80,000 this last year. Maybe I am way out in left field.

Dr. Purchase: No, that would be -- well, the number I am using is net. I am not sure what the gross flow might be into the province, but that seems extraordinarily high to me. I would doubt that.

Mr. Ferraro: That's what I thought.

Dr. Purchase: But some of those 32,000 people would be members of the labour force and would be added to that. There is no question in my mind about that. That has been a fairly significant, although not overwhelming factor, but a fairly significant factor in the growth of Ontario's labour force. Fortunately, in a way, because we ---

Mr. Ferraro: These figures here would show it on an annually adjusted basis where you would change the variables, I suspect, as opposed to a particular month. Am I making any sense?

Mr. Tylee: I think the important thing in looking at this table is it is just an illustration of work done by Statistics Canada of the amount of flow in the labour force in that particular month. There is a lot of crude assumptions which Statistics Canada has to go to go through to come up with this particular table.

Given also the amount of seasonal variation in the labour force, it is very dangerous to modify that by 12 and say that is what is going on in any particular year. This is a sample to indicate the amount of people that do move in and out of unemployment, in and out of the labour force. I wouldn't recommend it be applied for the sort of consideration you are talking about.

Mr. Ferraro: Thank you, Mr. Chairman.

Dr. Purchase: The chart is really just as confusing as it looks. Again, perhaps I could underscore the fact that we really present that only to illustrate that there are large numbers of people moving, and that the numbers that we act, you know, the net numbers that we look at, either layoffs numbers or whatever, really just represent a very small subset of the total number of people moving in and out of employment.

If I may move on to the question of corporate restructuring. I should say, in terms of my assessment of the future of corporate restructure, I would think that if you looked across all of those factors, with a possible possible free trade agreement being the only exception I can think of in my mind, we don't expect sharp increases in real interest rates, we don't expect anymore dramatic declines in mineral prices or oil prices; and in terms of new competition from Japan or western Europe, I think that the competition is really less now because of the exchange rate appreciation for Japan and in particular West Germany means that that competition if it exists won't come in by imports, but would more likely show up here as domestic investment by companies resident in those countries.

So I am inclined to believe that the corporate restructuring has, if you like, peaked and that the only

thing I can think of that may change that, of course, is a major change in government policy with respect to the example of the free trade agreement, which could cause some corporate restructuring on its own and/or some unexpected dramatic increase in Canadian exchange rate, for example.

Mr. Ferraro: Tax reform?

Dr. Purchase: It is a little early for me to answer the question about how tax reform will affect it, so maybe I will just hold on that one.

Mr. Gillies: Provincial tax reform.

Dr. Purchase: But clearly some of these other things, I am saying that we have seen the end of sharp reductions in commodity prices or sharp increases in the real rate of interest, and that the competition from Japan and western Europe is going to moderate to some degree. Although as Japanese companies come to North America, clearly the circumstances facing existing firms in North American change and they may be forced into some kind of restructuring. It depends how the Japanese behave as competitors in North America, if they behave any differently than they did when they were just exporting to North America.

Mr. Wildman: Have you heard the prediction from the Ottawa industry that unless they were included under the Auto Pact there may, in fact, be many, many jobs lost in the North American auto industry as a result of the new investment by the Japanese in Ontario?

Dr. Purchase: I have heard those predictions. I don't share their view of what will happen. I understand why they would be concerned, but if look at how they arrive at that conclusion, they assume that Japanese production in North America is simply an add on to existing levels of imports from Japan. So that by definition, the Japanese market share rises and, therefore, some North American plants go out of production.

I don't think the Japanese North American production is really just an add on to their imports, I think it substitutes for imports to some degree from Japan.

Mr. Wildman: --included in the Auto Pact because if they were required to produce on the basis of a proportion of what they sell here that would, what you are saying, would follow?

Dr. Purchase: Let me say that I might agree with the view from our point of view, that is from the jurisdiction of Ontario's point of view, I certainly would like it if obviously we had more value added in Ontario, and more production. So we may arrive at the same conclusion. We

don't necessarily get there by what they are saying is, you know, the inevitable excess capacity particularly, I believe, in small car production, which, incidentally, we don't have as much as of in Ontario anyway so it is unlikely that it would have as much effect on the Ontario production as it would in other U.S. plants, for example.

The other thing I think on the Auto -- I don't mean to digress too much, Mr. Chairman, but just on autos, I think if that our competitive position within North America is much, much stronger than particularly a number of U.S. states. And so that I would see, even in a restructuring process, borrowing any kind of political intervention that we would come out as somewhat better off.

Mr. MacKenzie: Do you have any indication of how much the cost could be of the increasing value of the Canadian dollar? Some industry that I have talked to recently said that every cent increase then it cost them better than \$5-million.

Dr. Purchase: Yes, sir. We have looked at that and I am just trying to remember the numbers. I believe that we are going to submit that to the other committee that you are a member of, is the impact of the exchange rate appreciation. I just don't have it in my head, but we have done it in the past and it is something that we have every intention of supplying the committee.

There are clearly some industries that are highly sensitive to that appreciation of the dollar, and others somewhat less so.

Mr. MacKenzie: Steel is one of them, is it not?

Dr. Purchase: Typically, the resource based industries would be much more sensitive.

Mr. Wildman: Commodity.

Dr. Purchase: Commodities are definitely more sensitive to exchange rate changes. So these exchange rate changes really tend to-- as I say, they can really overwhelm a lot of other things. I mean, certainly it doesn't take long to -- if you have a sharp exchange rate change -- to really overwhelm tariff changes and a whole bunch of other things.

Page 10, we have some data. There was a special survey done, and this, I think, is new data, but may confirm a number of your suspicions. Special survey done by Statistics Canada of workers who are permanently laid off, workers who are age 20 to 64. And the survey was conducted over the period of January -- well, the survey was conducted for people laid off any time between January '81

and January of '86, and what we are going to do is give you some of the results of that as you look at the characteristics of laid off workers in that period.

In terms of age and sex characteristics, males tended to dominate laid off workers. There were slightly more in 1985 laid off males, males who had been laid off, rather, than their share of the labour force.

In terms of older workers, their share of layoffs was slightly less than their share of the labour force, but that's what you might expect because they would tend to have seniority rights and so forth. And that is not meant in any way, it seems to me, to diminish the peculiar problems in older worker places if indeed they do become laid off, because one of the tables that we presented to the other committee in our economic outlook was that once you are laid off the period of duration of unemployment rises with your age. So really when you are laid off if you are 45 or whatever....

Mr. Chairman: These just wouldn't be hourly rated workers, would they?

Dr. Purchase: Are these just hourly rated workers?

Ms. Tychsen: No.

Dr. Purchase: Now in terms of age and sex characteristics there is no particular pattern. In other words, one can discern from the Statistics Canada survey, if you look at it by industry, the manufacturing and service sectors dominate layoffs; and if you look at it as a percentage of the workers employed -- layoffs as a percentage of workers employed in the industry, construction has the highest at 7.9 per cent in 1985. Typically, one would believe that that would be true because of the nature of the labour contract in construction or it tends to be by project. So as the project ends your contract ends basically.

If you look at it by firm size, and this I think is interesting, about over a third of the layoffs really occurred in firms with fewer than 20 employees. Again, because small businesses go in and out of business so rapidly, and this is a number which obviously is not picked up by the Ministry of Labour survey which only looked at layoffs with more than 50 employees.

Mr. Chairman: Just following that up, if I might, Dr. Purchase. We often see statistics that claim that out of all the jobs created in Ontario in the last five or ten years, eighty per cent had been by small business. I could be wrong in that percentage, the vast percentage. Is that a net figure that we are getting or is it a gross?

Dr. Purchase: Yes, that is net, I believe. Yes, it is net of...

Mr. Wildman: Sixty per cent.

Mr. Chairman: Sixty, is it?

Dr. Purchase: So what we are looking at here is the fact that the other side of those numbers, although there is net job creations, there are still a lot of people who lose their jobs in that sector, who get laid off. Again, this goes back to that earlier chart to some degree, is to suggest that there is a lot of turnover, if you like, in the labour force; a lot more than what we see when we just look at large manufacturing firms as names we can all recognize when people get laid off in those jobs.

Mr. Wildman: This chart seems to indicate that you have got a little more security if you work for a middle sized firm than if you work for a small one or a large one.

Dr. Purchase: It does, and I am not sure whether that is necessarily true. But I agree with you, it does sort of indicate that, although it depends how many people are employed. I mean, if you normalize this, this is a percentage of -- if you took the number of people laid off working for firms of 500 over as a percentage of the labour force in those firms, you might see a different distribution. So it doesn't necessarily indicate what you are suggesting. You may be a little less at risk if you are in a large firm. I would frankly say you are a little less at risk.

Although in more recent times clearly we have seen some major corporations like, maybe perhaps the best example I can think of recently is IT&T with a huge layoff in the United States. At one time that was a lifetime guarantee of a job, to go to work for that corporation, and clearly that is no longer the case. I think you can see similar examples in the United States, again more than Ontario, because we have had a different experience in manufacturing particularly than the U.S. has.

But, if you like, the steel industries and auto industry and so forth where employees did have a high level of job security, that's clearly changed for them.

Page fourteen. Their re-employment experience over this period, if we look at people who were permanently laid off in the jobs they held for three or more years, there had been roughly 82 per cent in this survey that had been re-employed by January 1986 in Ontario, which was higher than any other provinces.

In terms of income change, 54 per cent of the workers who have been displaced and became re-employed, reported that they became re-employed with lower wages than before. The numbers, as you can see there, on average they lost \$161.00 a week, while the other 46 who reported that they found another job with higher wage gained roughly on average \$53.00 a week. So there was a net loss to displace workers as a result of this change in their circumstances.

Again, I think if you go back to see what really is happening in North America, and I don't think it is any secret, is that most of the industries that we are talking about that have had commodity based industries and heavy manufacturing industries are also high wage industries. So when you lose your job there you are losing something that is a very valuable asset, and clearly that shows up in the numbers here.

In terms of the duration of unemployment, on average displaced workers in Ontario spent 27 weeks looking for a new job. Roughly 27 per cent took less than three weeks to find a new job over the period '81 to '85. About 9 per cent of those who were displaced during that period took over a year to find a new job.

So that gives you some idea of the latest numbers that we have available and what happens to the workers who have been displaced in a job.

We look at the regional dimensions, this is a story that is really very familiar to you now, so, again, I will try to move through it very quickly if I can.

Job growth has been quite strong, but in this past year in Northern Ontario it has not been, in fact, has been negative. '85 was a very strong period of growth, but '86 shows a weakness. If you look at the job loss across the regions you find that of course there are more jobs lost in central Ontario than in other parts of Ontario, but is a shear of the labour force in the region. Again, the northeast and northwest show up as having much higher shares of job loss.

On page 19, using the Ministry of Labour data as opposed to Statistics Canada data, you have a similar kind of regional distribution where there has been a slight increase in the share of layoffs in the northeast and northwest in 1986 compared to 1985. Again, that is consistent with the overall story that I think we are all fairly familiar with now.

That, Mr. Chairman, is our presentation. I would be pleased to answer any questions that I can.

Mr. Chairman: Thank you.

Several members have indicated an interest.

Mr. Wildman?

Mr. Wildman: On the last part of your presentation, with regard to the regional situation, it appears, if you look at page 17, that in 1986 your zero growth in the northwest and a net loss in the northeast of jobs.

Do you have any of other kinds of breakdowns in the region that you have for the whole province? For instance, how long it takes laid off workers in the north to find new employment, as opposed to someone in central Ontario?

Dr. Purchase: No, I don't think we have and I am not sure that we can get from the--

(Interjection by Ms. Tychsen)

Dr. Purchase: So the numbers that we have access to didn't ask that question, we don't break it out regionally so we don't know where these people lived.

Mr. Wildman: So in the same way, you wouldn't be able to give us information in regards to the net loss in income for people who in the north who have found new employment in the north or, for that matter, in other parts of the province?

Dr. Purchase: No, we don't have those numbers.

Mr. Wildman: Okay. I don't suppose you would in this context, but you must have figures with regard to migration within the province? Do you have figures with regard to the out-migration of the population in Northern Ontario as opposed to other parts of the province?

Dr. Purchase: Yes. Quaid, would you...

Mr. Silk: Yes, we have them. I don't have them here right in front of me, but from memory we have the data up to 1985 and there is out-migration from the north, from both the northeast and the northwest to other parts of the province. Whereas, both inter-provincially and internationally other regions, again the north, is basically losing people. Fairly small numbers. If memory serves me right, we are talking of something like 6- to 10,000 people in 1985 going out of the north.

Mr. Wildman: Out of the total population of approximately 800,000?

Mr. Silk: 800,000. Mind you, the population in the north is growing because there is the natural increase

taking place.

Mr. Wildman: Sure.

Mr. Silk: So on a net basis, the north is still growing in numbers. But the natural increase is being offset to a large extent by out-migration.

Mr. Wildman: Do you have any figures with regard to what elements of the population are moving; that is, youth as opposed to older workers or sex? Is there a difference between males and females in terms of out migration, or do you have those kinds of figures?

Mr. Silk: Yes, although I don't have the numbers at my finger tips.

Mr. Wildman: It would be interesting if you could provide them to us. I would appreciate it.

Mr. Silk: Sure.

Mr. Chairman: Mr. Gillies?

Mr. Gillies: Thank you, Mr. Chairman.

I sometimes think, Bryne, that you and I both became experts on layoffs at the same time back in '81 and '82. It doesn't surprise me in the least at looking at your statistics on page 7 to see that the two single biggest layoffs announced in '85 were in the farm equipment manufacturing industry, so I guess my first question is a little...

Are there any hopeful signs, any hopeful projections at all for that particular industry or are the kind of declines that we have seen in the last four or five years going to continue?

Dr. Purchase: I haven't recently taken a look at the outlook for farm industries, I should do that. But just off the top of my head, if you look at the outlook for certain parts of the agricultural sector, it is not much better than it was. I would say that the circumstances for farm industries are probably not much better in North American. To see a turn-around in farm economy, you will not see a dramatic turn-around.

It does not mean, however, that the companies will not be able to sustain -- they haven't gone through the worse of the downside, as it were, in terms of restructuring and down sizing, and they may well be in a stable position at a much smaller level in terms of the numbers of employees.

So I wouldn't answer the question necessarily in terms

of are we going to see more down-sizing of the companies. But I don't see any dramatic improvement in their sales, certainly not to the grain sector, anyway.

Mr. Gillies: It is implicit I think on page 7, the statistics here are for layoffs of 13 weeks or longer; is that correct? Because those are the layoffs that have to be reported to the Ministry of Labour?

Dr. Purchase: Yes.

Mr. Gillies: So in fact we have to keep in mind in looking at these that in many of these industries there are annual short term layoffs, so there are many person days lost that are not reflected in these charts; for example, Massey Ferguson? And I would imagine International Harvester often extend their summer shutdown sometimes four, five, six, seven weeks depending on their market and their need for equipment.

Would I be correct in drawing the conclusion, as we see the increase in layoffs and the decreased economic activity in northern Ontario and the obviously better times in southern Ontario, is that matched by a shift in layoffs away from manufacturing and towards the resource based industry?

Dr. Purchase: I am trying to recall the numbers that I saw in terms of where the layoffs were. It depends what you mean by resource based, I mean, if you included steel in that or whether you didn't. Some people would say that was the main manufacturing industry and not a resource.

I hesitate to answer the question because I can't remember the numbers. But my instinct would say, yes, it probably has been more than more layoffs. If you look at the whole period proportionate to the numbers of people employed in those industries, I would suspect that the resource based industries have had more problems than manufacturing industries. All resource and manufacturing industries are in a kind of long-run down-sizing that is the same as is going on in agriculture or has gone on in agriculture, there are fewer and fewer people being employed.

We, in Ontario, have been relatively untouched, if you like, by what has happened in North American manufacturing. If we look at the United States in the auto industry or in the steel industry, you see more losses of employment in the 1980s. We have not experienced that.

Mr. Gillies: It just strikes me that if you look across the country the provinces whose economy are more based on a greater percentage of their economy is based on, say, agriculture and resources as opposed to our economy by

having higher levels of unemployment, higher level of layoff, and so on. I am just assuming that it is because the economy of northern Ontario is more similar to those.

Mr. Wildman: More like the west.

Mr. Gillies: Yes. More like the west.

Dr. Purchase: The answer to your question is yes. There is no question that part of the layoff experienced that we are seeing now is related to specific problems in a few industries and they happen to be highly regionally concentrated in this province, and of course across the country and in other provinces as well.

Mr. Gillies: I am very interested in the information in your presentation about the age factor amongst laid off workers. I guess those of us who have been through a lot of this in our ridings assume, and I think it is true to say it is much harder for an older laid off worker to become re-employed.

I wondered if the statistical information you have given us on re-employment is available with an age factor built in so that we can see the actual statistics on that?

Ms. Tychsen: Yes, we can do it.

Dr. Purchase: Yes, we can do that.

Mr. Gillies: I would really appreciate seeing that if you have it.

Dr. Purchase: There is some other data that we presented to, as I say, to the Finance and Economics Affairs Committee which did show that the duration of unemployment once you become unemployed rises with age, and this would be a subset of that of saying if you haven't become unemployed because you were part of the plant closure, what happens to you, how long does it take you to find a new job. I guess we can answer that question so we will supply that.

Mr. Gillies: I would also be interested, if this statistic is available, you make the point of those who are re-employed after layoff very, very often do so at much lower wages, and again I think that certainly meshes with our personal experience in our constituencies.

I am wondering if there is an age factor there? I am just guessing that an older senior employee with accumulated seniority and many years of wage increases, and so on, who is successful in becoming re-employed probably feels that loss in wage disproportionately? I may be wrong, but I have an instinct that that would be the case.

Dr. Purchase: My instinct would be the same as yours, but I can't offer any special information or expertise on that, I don't know, but I would tend to agree. My personal instincts would lead me to think that that was a special problem and a more serious one.

Mr. Gillies: If you have any additional information along these lines I would be most interested in seeing it.

Thank you.

Thanks, Mr. Chairman.

Mr. Chairman: Mr. Gillies.

Mr. Bossy?

Mr. Bossy: I would be interested in knowing, and whether I missed it in all the data that we have here, but the amount of people that are entering the labour force versus the amount of people that are leaving because of retirement, that are totally leaving the labour force, that balance there; then also the factor that the people leaving the labour force at what level we are talking about, normally those are people that have had full time employment and receiving wages commensurate with the full time employment at the higher level. But then the new labour force that we bring in, we are showing 153,000 in '86 that were jobs created, but the jobs created are the ones that I am concerned with.

Of the people entering the labour force, what percentage of, and I have never seen it stated here anywhere, part-time jobs that have become part of the statistics that are quoted from Ottawa that say we have created 600,000 jobs or whatever it may be. What percentage of that are part time jobs, and in most cases at minimum wage, in most cases they are? But what real jobs have been created, by the meaning of real jobs they are full time jobs versus part time jobs, and then that would be created there of really the difference that when we are talking about plant closures or people that have been involved in full time jobs become part of that real jobs that have gone.

And then here we are faced with all kinds of part time, but you look at the charts of the flow of employment, they have caught in that new flow of employment and they are really only part time, but that they could become part of that statistics, and is really deceiving really when it comes right down to it.

Dr. Purchase: The numbers for 1986, full time versus part time in Ontario, I think roughly 90 per cent of the jobs were full time.

Mr. Tylee: Yes. That is just about it. Of the 153,000 net new jobs 13,000 were part time, 139,000 were full time.

Dr. Purchase: So our recent experience is quite good. If you look at it over a period since, say, '75 to '86 you would see there has been a rise in part time employment as percentage of total employment. So in one sense your impression is that there are more part time jobs now than before it is correct; on the other hand, our most recent numbers show that we have been creating a much higher proportion of full time jobs in the past couple of years.

Ms. Tychsen: In terms of the flow, some of that job loss is part loss of part time jobs. The proportions are not greatly different of the out-flow and the in-flow. In fact, one of the components of people gaining coming of the 46 per cent gained after job loss were some part timers who found full time jobs, and so their income increased.

Mr. Bossy: Realizing that we have just experienced two or three years of fairly severe recession, and that there was a tremendous amount of lay offs during that period. Now the figures that we see today as far as jobs created, what percentage of the jobs created that we use for statistical purposes are really recalls, or you might as well say those firms that cut back by 2-, 300 and sat that way for a matter of two years or plus and then all at once there was a surge in the economy and thereby these people that were rehired become part of the statistic of new jobs, which is not realistic in a sense.

Dr. Purchase: I am sure we can't answer that question. I don't think we know honestly. I would be really surprised if the other experts here or if the experts here could answer to that question, as we know how many people were laid off and eventually went back to the same--

Mr. Bossy: People that after a year or two years that were laid off and no longer searching for jobs, no longer drew unemployment, and that would become really not part of the unemployment figures anymore because they were not listed as searching. Do we have any kind of information as to how many of those people came back as part of the labour force looking for employment because of the economic--

Dr. Purchase: A person who had given up searching and, therefore, was not officially part of the labour force because they said they couldn't find a job and then decide to come back, I don't know if we attract that, frankly. When a person was in one state of mind and then two years later it changed, I doubt if we know.

Mr. Wildman: But you know if they are listed for UIC if they are in that situation or if they have given up and

not bothered to look for work?

Dr. Purchase: You can't be collecting unemployment insurance and be counted as not looking for work because you have given up.

Mr. Wildman: No, I know. But you know what people are actively seeking employment UIC role?

Dr. Purchase: Yes.

Mr. Wildman: And you know who have exhausted their UIC. You also know what people then have gone on the welfare rolls, and again they are suppose to do job searches if they are employables and you know which ones have given up, have disappeared from those roles.

Dr. Purchase: Well, Statistics Canada produces a number which is the so-called discouraged worker, which is a person who is not looking for work because they don't believe work is available. I think essentially that works.

Mr. Wildman: Usually the small businessmen in those towns are happy about that instead of a guy who is on welfare coming an bugging him every week for a job that doesn't exist.

Dr. Purchase: Yes.

Mr. Chairman: None of those discouraged workers are at Treasury and Economics?

Dr. Purchase: No, we are quite encouraged by our circumstances.

Mr. Wildman: Maybe we should move Treasury to Thunder Bay or Sudbury then?

Dr. Purchase: I can't comment on that.

Mr. Bossy: The government that is in power of the day, and whether it is federally or provincially, usually when we see the figures and we say 153,000 jobs, which is a very nice statement to make, and then we see it in the same statement being made at the federal level because those are part of the same -- should be the same statistics but they use it on a global basis. But then if we have the layoff of 200 people, the government of the day is blames for the layoff but not really -- this is political really -- but is not given credit for the 153,000 that is created. So here he have that kind of situation that is coming along and really be seen more and more.

Mr. Wildman: --if it is good weather take credit for it at the provincial level, if it is bad weather blame the

federal government.

Mr. Bossy: Right. That is about what it is. But the closings are what really concern me. To see those closings happening, even though that we have net job creation, but what the type of job creation? All these people being laid off, and this is what we are dealing with, too. That those people, in most cases, to fit into the new jobs that are created must have a tremendous amount of upgrading or skills development for a new job. And our problem is that those jobs are not there for that group of 50 or 45 to 60 or whatever.

Dr. Purchase: Mr. Bossy, if I may respond. I think what is clearly important in this is the high level of job creation and the high level of economic activity does diminish a lot of the layoff problem, and that there are many people who become laid off, not just the ones that we can count through our Ministry of Labour counsellor, maybe who become laid off and who in fact do find new employment. And I think the issue is ultimately how do you maintain that or can legislation do anything to maintain high levels of unemployment.

Mr. Chairman: Anything else, Mr. Bossy?

Mr. Bossy: I am getting hungry.

Mr. Chairman: Thank you.

Mr. Gordon?

Mr. Gordon: Dr. Purchase, in response to my colleague, Mr. Wildman's question in regard to what happens to workers and so forth in the north, you said that question hadn't been posed. Who established the questions that you were trying to answer in this particular report?

Dr. Purchase: Well, we were really using a report which had been done by Statistics Canada, not one that we had specifically commissioned to have done for us.

(Interjection)

Dr. Purchase: So they looked at Ontario, vis-a-vis other provinces, but they did not look at regions of Ontario. Hence, as I say, that question hadn't been ---

Mr. Gordon: I guess that's what I find particularly disappointing in this particular report, is the fact that it does not answer, even in a small way, the problem that we are looking at in Northern Ontario. This is a group of very nice statistics and I can read you some of the phrases that are used. It all sounds good, but then it doesn't really get at the heart of the problem. And the heart of the

problem, it seems to me, and as you well know, is the fact that in the north we not only have people who have been laid over the years and still being laid off, but that there is a structural economic and social problem there and we don't seem to have any statistics or any social analysis as to what is happening to those people in the north. How many of them are staying?

Well, obviously, a significant number are staying because of the high unemployment roles in the north and the high welfare roles, and we see that since 1981 when the recession hit that this unemployment and welfare has continued to exist, has not gone away. The north hasn't shared in the finance of what has been going on in southern Ontario. So when we look at the north we say - what has happen to these workers, what has happened to the communities that these workers are in, and what kind of policies or recommendations should be coming out of a committee such as ours.

So I guess what I pose to you is this question: Who is going to come up with a report that will give us that kind of information? It seems to me that is what we need and, you know, when I look at this I see, for example, it says "review the circumstances of the announced closure of the Goodyear Tire manufacturing plant and the various closures of other manufacturing facilities, particularly in northern Ontario," and I see what a few have come in with is something of course that -- you've used the statistics from the survey that was done by the Canadian government census and so forth.

I understand that those are the only figures you have to work with and so forth. But I ask you: Who is going to give us something more meaningful so that we understand what is going on in the north and what we are to do with those workers, or how we going to help these workers? Is it treasury, in the economics, is it the Ministry of Northern Development and Mines? Who should we be asking the questions of and who is going to give us the answer?

Dr. Purchase: I should say that what we are presenting here is the report on the economy of Ontario and layoffs in the economy of Ontario, not a report on layoffs in northern Ontario as a specific subsection that we were asked to address. So, if you like, what I am saying is that it is a large economy and there are many parts in it, all of which, I presume, are equally important.

Mr. Ferraro: Except this committee was specifically given a mandate to look at the north as well.

Mr. Chairman: I think too, Dr. Purchase, in Treasury and Economics and other ministries because they haven't addressed in a very profound way the problem in northern

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Ontario, I hope would never be surprised if a committee of legislature made recommendations that the various ministries found difficult to countenance.

Dr. Purchase: No, we would not be surprised. Clearly, we have tried to present you with some kinds of numbers on the north. I suppose I could apologize for the absence of all the detailed information that might exist on people who live in the north and work in the north and what happens in their lives, but we work with the data that we have available and we present the data that we do have, and if it is not enough then you might make a recommendation, I presume, that we should have more.

But as to which Ministry might do that, we all have the stake in this. The Ministry of Northern Affairs and Mines, obviously, has a specific mandate, but then again this is layoffs and so does the Ministry of Labour; and since it deals with the economy, I presume the treasury has some responsibilities as well. So I am not trying to dock anything.

Mr. Ferraro: Can I have just have a supplementary?

This is a real problem, not just in terms of this government, but also the federal government, all of us, whatever our political stripe or what community we come from in the north experience, and that is that Ontario, for obvious reasons, is seen as an entity.

I know my federal colleagues have a very difficult time in Ottawa in trying to convince people from other sections of the country that are experiencing serious economic dislocation, whether it be the West or the Maritime or parts of Quebec, that there are parts of Ontario, particularly northern Ontario, that are undergoing structural economic difficulties. And if our own provincial government and ministries can't break out those figures and be able to present them, we can't really expect the federal government to do it for us when they are having to serve eastern Canada and western Canada as well in dealing with the whole country.

I mean, if we can't come under with figures as to the situation in northern Ontario and what is happening there, we can hardly be critical of the federal government for not coming up with figures on a regional basis for this province.

Mr. Chairman: It might be helpful for the treasury people if we sent them a copy of the brief that the region and municipality of Sudbury presented.

Mr. Wildman: Yes, it was very good.

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Mr. Chairman: It was in very stark terms what was happening in the economy of that part of northern Ontario. We would be pleased to send you a copy of that.

Mr. Purchase: Yes, Mr. Wildman. We have many statistics on the north, I mean, obviously everything available now, we do not collect our own. We are not a statistical agency in the sense that we go out and survey the population ourselves. So we have many statistics on the north. There is many that, I suppose, we would like to have and we don't have, and again, I don't know whether I should apologize for not having these statistics or whether I feel personally responsible.

Mr. Wildman: I am not asking for an apology. All I am saying is that it might be useful - I am sure my colleague, the same point he is making - it might be useful if someone within the government were to start analyzing welfare rates and layoff rates regional specific to the north, as opposed to us always getting lumped in with the Golden Horseshoe and what is happening down here and say, well, Ontario has got 6.6 unemployment rate, things are booming here, everything is wonderful, because we are in the same boat as Alberta in northern Ontario not...

Mr. Chairman: In Quebec.

Mr. Gordon?

Mr. Gordon: Fine. Thank you. I just don't want to hold people up too much longer.

To Dr. Purchase, I guess when I look at this paper and it says characteristics of laid off workers, and it lists things like sex and age, industry, firm size, re-employment experience, income change experienced in duration of unemployment; and then I look at what the mandate of this Committee is. I would like to know what is happening in northern Ontario, you know, when it comes to, as it says here, re-employment experience. I would like to know what that income change experience is and I would like to know the duration of unemployment, because I think it is very difficult for a committee such as this one to come up with any meaningful recommendations when it comes to this whole issue of plant closures without that kind of statistical analysis.

I know that, perhaps, those kinds of questions weren't posed to you prior to your coming here, but I would hope that we could get some information in the future that would be beneficial to this Committee, because it is very difficult to ask the Committee to make sweeping changes or recommendations without the background that we need to make some meaningful statements.

Dr. Purchase: Mr. Gordon, I would happily get more information if I could, and certainly if we got it we would be happy to supply it. We have supplied, obviously, what we had available to us and what we thought was the balance part of the general report on layoffs and not a report about layoffs in northern Ontario. So I concur. I agree it would be nice to have more numbers.

Although I would say this, and that is any legislative change on layoffs would clearly apply to all the provinces or to the entire province and, therefore, would presumably not -- I mean, it should reflect somehow the circumstances in the entire province and not just one region.

Mr. Wildman: It would be unfortunate to apply the northern situation to southern Ontario, so perhaps we should have legislation that is regional specific.

Dr. Purchase: Mr. Chairman, one last point.

Mr. Chairman: I doubt very much if the Committee members - I shouldn't speak for them - would feel constricted by what you say, because I don't think that members feel that you have to have province-wide legislation in every case, we don't have now. I mean, very simple little things like the price of a licence for your automobile is different in the south than the north, so I am not sure given the exposure some of the members have had in northern Ontario --

Mr. Pierce: Or the limits in small claims court.

Mr. Chairman: Or the limits in small claims court, things like that. Perhaps you are sensing the feeling of frustration by, I don't think just northern members, but members of the Committee who have seen the problems in northern Ontario, and know that there are two Ontarios out there now, and this Committee is going to have to wrestle with that problem.

Mr. MacKenzie: There are three Ontarios?

Mr. Bossy: The larger sectors, the smaller sectors and you have got northern Ontario.

Dr. Purchase: Yes, Mr. Chairman. I have to acknowledge that legislation can be required differentially according to the...

Mr. Chairman: Is there anything else by members of the Committee before we adjourn?

We will adjourn now and reconvene at 2:00.

Thank you, Dr. Purchase and your your colleagues for

coming before the Committee. We do appreciate your presence here. .

Thank you.

We are adjourned until 2:00.

The Committee adjourned at 12:35 p.m.



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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

PLANT SHUTDOWNS

TUESDAY, MARCH 3, 1987

Afternoon Sitting



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

Bernier, L. (Kenora PC)

Gordon, J. K. (Sudbury PC)

Mackenzie, R. W. (Hamilton East NDP)

McGuigan, J. F. (Kent-Elgin L)

McKessock, R. (Grey L)

Offer, S. (Mississauga North L)

Pierce, F. J. (Rainy River PC)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Wildman, B. (Algoma NDP)

Substitutions:

Bossy, M. L. (Chatham-Kent L) for Mr. McKessock

Ferraro, R. E. (Wellington South L) for Ms. E. J. Smith

Gillies, P. A. (Brantford PC) for Mr. Stevenson

Hennessy, M. (Fort William PC) for Mr. Bernier

Clerk: Decker, T.

Staff:

Nigro, A., Research Officer, Legislative Research Service

Witnesses:

From the Ontario Federation of Labour:

Wilson, G. F., President

O'Flynn, S., Secretary-Treasurer

Griffin, J., Executive Vice-President

Shell, B.; Canadian Counsel, United Steelworkers of America

Eleen, J., Research Director

From the United Electrical, Radio and Machine Workers of Canada, Local 544:

MacDonald, S., President

Lonsdale, N., Steward

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, March 3, 1987

The Committee met at 2:11 p.m. in room 151

Resuming review of announced closures of
manufacturing facilities in Northern Ontario.

Mr. Chairman: The Resources Committee will come to order. I apologize for being late. The Committee have agreed, before we begin our exchanges with the OFL, have agreed to make a decision this afternoon on the writing of the report which we must start tomorrow. And at that time, a research officer will be laying out all of the possible recommendations upon which we can agree and disagree.

So, we must make a decision as to whether or not to do it in camera or whether or not to do it in an open and public way. There is no particular precedent; it has been done both ways by various committees. So, that is open for decision now, and we need to make a decision now because we need to notify the Legislative television service people. What are the wishes of the Committee? Mr. McGuigan?

Mr. McGuigan: I propose that we do it in camera.

Mr. Chairman: Mr. McGuigan has moved we do it in camera. Any debate?

Mr. Mackenzie: I suggest we leave it open.

Mr. Chairman: Leave it open. Any further debate?

Mr. Hennessy: I think, Mr. Chairman, whether you have it open or not, I think the members are going to be recorded how they voted, how they discussed, and I am sure that the word will get out how the members voted anyway. And I think if you get on before the camera you start acting a little bit. And I think, in all due respect, there may be things said across the table sometime when the discussion that night takes place, you might want to make your point and the other party may want to make their point, and I think that this is not a political thing; this is something that we have to look into very, very carefully and bring in a very, very good report. I would support in camera.

Mr. Chairman: Okay. Any further comments? The motion has been moved. All those in favour of Mr. McGuigan's motion to have the writing of the report in

camera, please indicate. Opposed? It is carried. So it will be in camera and the clerk will notify everyone concerned of that decision of the Committee.

We are pleased this afternoon to have with us the Ontario Federation of Labour. Mr. Wilson, Gord Wilson, is the President; and, Gord, if you would introduce your colleagues to the Committee, that we could proceed.

Mr. Wilson: Thank you, Mr. Chairman. On my immediate left is Julie Griffin, Executive Vice-President of the Federation. On my immediate right is Sean O'Flynn, the Secretary-Treasurer. On my far left, Brian -- or pardon me, John Eleen, the Research Director of the Ontario Federation of Labour. And on my right, far right, Brian Shell of the Legal Department of the United Steelworkers.

Also in the audience in this Committee room this morning are members of the United Rubber Workers, Local 232, from Goodyear on the Lakeshore and members of the United Electrical Workers Union, Local No. 544, from the company of Premier Plastics.

I would like to begin by thanking the Committee for the opportunity to appear before you to present our views. As a central labour body in Ontario representing 800,000 members from most of the unions in this province, the Ontario Federation of Labour appreciates this opportunity to present our views on the problems created by plant shutdowns and extensive employment terminations and layoffs and our proposals to deal with this crisis facing Ontario.

With this submission, we are filing for your perusal our economic policy paper entitled "An Economic Programme to Make Ontario Work" that was adopted at the OFL convention in late November of last year.

We believe that as members of the Legislature, in addition to working for changes in the plant shutdown legislation, you have an obligation to press for economic policies that, if adopted, will help minimize the need to use plant shutdown legislation.

We urge the Committee members to read our economic policy paper to acquire an expanded view on the causes of the shutdown and extensive employment terminations and layoffs so that you will appreciate the need to reverse the trend toward the de-industrialization of this province that is now taking place. On behalf of thousands of Ontario workers, we urge you to adopt legislation to curb and discourage plant shutdowns.

Ontario is in a crisis. Its industry is chronically

and gravely ill. There are over 300,000 workers idle in this province, a significant number of whom lost their jobs in the past year. One does not have to be an economist or a laid-off worker to be aware of the epidemic of layoffs, plant closings and other forms of capital flight sweeping this province, once the industrial heartland of our country.

From day to day, week after week, the de-industrialization of this province has been taking place. It may be an elevator plant in Hamilton, a battery plant in Mississauga, an auto parts plant in St. Catharines, a paper plant in Thorold, a rubber tire plant in Etobicoke, a chocolate plant in Whitby or a refrigerator plant in London, which suddenly closes its doors and drastically reduces its work force.

Thousands upon thousands of jobs have been lost, many never to be replaced as executives in distant corporate suites knock pins representing plants off the maps of their industrial empires like generals in war offices disposing of enemy locations.

Some of these companies have moved to other parts of the country where wages are lower. Some have moved to locations in the USA where wages and working conditions are inferior and the right to belong to a union is severely curtailed by political interest groups and deceitfully named "right-to-work" laws.

But many have closed because the parent company decided to retrench and concentrate on its home base operations in line with American protectionist policies. Still, many thousands of workers have lost their jobs simply because of the depressed state of the economy or as the result of the ripple effect of the plant closings, cutbacks and layoffs. After all, workers who are not working cease to be consumers of the goods being produced.

Since 1981 to the end of 1986 there were 400 plants in Ontario partially or completely closed involving 48,382 workers. In addition, there were 416 plants on reduced operations involving 76,831 workers. These are statistics obtained from the Plant Closure and Review and Employment Adjustment Branch of the Ontario Ministry of Labour.

Since employers are only obligated to report on permanent and indefinite layoffs of 50 or more, then it is obvious that these figures are grossly understated and the picture is much worse. Terminations and layoffs of less than 50 would not be recorded. There are 288,000 establishments in this province and there is very little data on most of them. Many are small enterprises with few employees.

Some of the plant closures caught public attention because the unions involved were extremely vocal, or the community was so badly damaged that others got into the act. On the other hand many smaller isolated and organized enterprises suffered their dislocations in silence and the plight of our fellow citizens did not hit the headlines.

I'd like to draw the Committee's attention to the Table 1 at the bottom of page 3 where, in effect, if you look closely at the partial closure and complete closure statistics, you will see that the period from 1981 to to 1986 there were literally no improvements in the diminishing numbers of plant closures. In fact, the total number of closures, partial, complete with reduced operations as well totals a number of 125,213 workers in this province who were affected in that six-year period.

This goes on and on. The numbers are legion and no town or village in Ontario has been spared from the economic plague of factories and other enterprises suffering closings, cutbacks or layoffs of large numbers of workers.

The Ministry of Labour's monthly report on layoffs in Ontario was hundreds of plants each month reporting permanent and indefinite layoffs while we list only a few current cases that have not yet found themselves included as statistics. Some of these enterprises may never reopen.

The workers did not leave voluntarily. They want to work, not exist on unemployment insurance or welfare or be forced into early retirement on an inadequate pension. They want to have the dignity of earning their living, a chance to use their talents and abilities and to be useful members of society.

Workers certainly are willing to work. In 1980 when GM in Windsor announced the probability of openings for 2,000 workers in their plants, 20,000 lined up for jobs. All they received were application forms.

And to the list, Mr. Chairman and members of the Committee, at the bottom of Table 2, you can add two recent casualties reported today in the Globe & Mail, Sunbeam Corporation of Toronto with the industry of appliances, affecting 450 workers and also the Tonka Corporation in Mississauga manufacturing toys, affecting 250 workers.

More recently, when American Motors announced that 3,000 jobs may be created at Brampton, 60,000 workers lined up to get an application form.

Fifteen years ago the Freedman Report stated that the employer has a responsibility to the community as well as to the workers in the enterprise. Our governments have not enacted laws to make this so. The notice of termination legislation is just that - notice of termination. Companies close down or make major changes involving large numbers of workers and they are not compelled to justify their actions to anyone.

What is needed is legislation such as some of the western European nations have had in place for some time, legislation that is designed to discourage plant closings and layoffs, that compels employers to account to the public for their intended action and demands they show a responsibility to the workers and the community, legislation that cushions the effects of layoffs and plant closings that are inevitable, and provides for retraining, severance pay and adequate pensions for those forced into early retirement.

Mr. Chairman, on August the 5th, 1986, the OFL led a delegation to the Minister of Labour to present a brief in legislative language and Bill form entitled, "Amendments to the Employment Standards Act, Revised Statutes of Ontario 1980, Chapter 137, as Amended" and we have attached a copy.

From page 16 on, that brief deals in great detail and step by step with some of the changes we would like to see in the legislation that needs the immediate action of your Committee. We would like the Committee to study that document also in drafting legislation based upon our proposals.

Proposals: The OFL proposes the following measures dealing with shutdowns, cutbacks and layoffs be dealt with in this current session of the Legislature:

1. **Mandatory Reporting of Layoffs:** Legislation must be provided to make it mandatory for companies to report to the Ontario Manpower Commission employment terminations and layoffs involving ten or more workers. The Manpower Commission should be revitalized. There should be continuous coordination and analysis of labour supply and demand in order to evolve a properly planned manpower program sensitive to the needs of the province and its work force.

Legislators cannot deal with shutdowns and layoffs if the seriousness of the problem is understated due to the lack of hard figures on the situation. It must be quite evident to the members of this Committee familiar with the proceedings of the last Select Committee on Plant Shutdowns and Employee Adjustment in 1980-81 that the Ministry of Labour and the Ministry of Trade and Tourism

had a very incomplete picture of terminations and layoffs. Since they are using the same methods of collecting such data, the present government has much the same problem.

Because there is no adequate provision for collecting data on layoffs of less than 50, because unions have no access to information on layoffs in the two-thirds of the work force that is unorganized, because bankruptcies are not included in the Ministry of Labour statistics, and because construction layoffs are also not included, then the Ministry of Labour totals are grossly understated.

There is no complete record of layoff of 50 or less and certainly none for 25 or less. When one considers that 88 per cent of Ontario's enterprises consist of 20 or less workers and these are not monitored by the Ministry of Labour, then their totals on layoffs are way off.

It is a sorry state of affairs when the Ministry of Labour has to resort to newspapers and other informal sources for its information on layoffs. Under these circumstances perhaps our estimate of 125,213 workers suffering shutdown, extensive employment terminations and layoffs since January 1, 1981 to December 31, 1986, is a conservative figure to say the least.

2. Responsibility in the Community and Notice of Termination: Shutdowns should be considered a social emergency. Industry, government and the community should be mobilized to provide help to the workers involved while they are employed, not after they have been unemployed for some months. At least six months' notice or payment in lieu of should be the entitlement of any group of 25 or more workers whose employment is terminated or who are laid off for more than eight weeks regardless for what reason, including if the termination or layoff takes place during a strike, lockout or vacations.

If enough advance notice is given to the workers, the union, government agencies such as Manpower, and the community, it gives all parties concerned time to plan so as to mitigate the economic consequences of the displacement not only on the workers but on the community as a whole. Adequate notice gives the workers time to overcome the shock of the loss of their jobs, gives them time to adjust their expenditures to meet the crisis, and permits them to look around, to train if necessary, and to make a choice of the possible options open to them.

Various studies have dispelled the basis for the fear most employers have that if the company were to give a longer period of notice of plant shutdown, the workers would desert it, the remaining contract would not be completed, and there would not be enough workers to finish

the closing in an orderly fashion. Shultz and Weber point out that productivity in such situations does not drop. Moreover, they make a case for at least six months' notice and preferably a year. This is particularly so in cases where the work force is relatively unskilled and would require some training to qualify for other jobs.

Entrepreneurs do not preoccupy themselves with the prospect of a shutdown and its attendant problems at the time when they locate their plant. Their main concern is with its profitability and other considerations. We have advantages for investors.

We have a highly educated work force - labour force - our labour costs are relatively low in comparison with our trading partners, corporate taxes are lower than in the USA, our lower dollar, lower energy costs, our large market, all combine to give us advantages over our competitors that far outweigh any possible hesitation in locating in Ontario because of legislation to protect workers' jobs.

3. Management Must Prove Justification for Shutdown: When an employer contemplates plant shutdown a moratorium must be imposed and the company should be compelled by law to justify its decision before a public body representing the community, government, industry and labour. In the attached proposed Amendments to the Employment Standards Act, page 25, we propose the establishment of a tribunal called the "Employment Standards Board."

An enterprise contemplating shutdown should be compelled to submit to a feasibility study. If the enterprise is economically viable and the company persists with its decision to shut down, the Ontario Development Corporation and the employees should take over and operate the plant for the benefit of the public treasury and to preserve the jobs of the workers involved.

It should be mandatory for management to meet and cooperate with the Canada Manpower Consultative Service, the Ontario Manpower Commission and representatives of the union to justify its actions and arrange for the retraining, income maintenance during training and relocation, alternative job placement, pension provisions and severance pay of the workers involved.

The main thrust of this proposal was to discourage runaways. It was also designed to induce management to show more responsibility to the workers and the community, first articulated by Justice Samuel Freedman in his report on redundancy. France, the Netherlands and Italy where, such legislation is in existence, have no difficulty attracting investment money.

4. Job Protection Division: This Federation proposes that the Employment Standards Act be amended to provide that the application of the Act be the responsibility of a tri-partite board called the "Employment Standards Board." In this manner, the administration of the Employment Standards Act would parallel the administration of the Ontario Labour Relations Act. Under the Employment Standards Board there would be two divisions to which the Board would delegate its powers, subject to the appeal to a panel of the full Board; these would respectively be a Minimum Standards Division and a Job Protection Division.

The purpose of this tribunal is that a formal procedure would be set up for the examination of the justification for the company's decision to close or reduce its operation, the company's proposals for assisting both its workers and the community to re-adjust and consideration of alternatives, a determination by the government as to what steps should be taken and the degree, if any, of corporate responsibility for the cost to employees and the community of the decision to permanently shut down operations.

A company intending to shut down all or part of its operations would be required to file a standard notice which would be communicated to its employees and to the Employment Standards Board. This notice would indicate the scope of the shutdown, the reasons for the shutdown, the steps that the company will take to assist employees in adjusting to the shutdown and the steps that the company will take to assist the community to adjust to the shutdown.

Upon receiving the employer's notice, the Job Protection Division would appoint a tri-partite panel to review the contents of the employer's notice and to receive submissions from the affected parties, including therefore, the employer, other businesses, trade unions, local government and community institutions.

The panel would submit its report within strict time limits to the Minister. The panel's report would evaluate the reasons given by the company for its decision and the appropriateness of the steps that the company proposes to take to ease the adjustment problems for its employees and the community. Such other measures as may be taken by public bodies will also be included in the report to the Minister. Upon reviewing the report, the Minister may make such orders as he or she deems necessary. These orders could include, for example, additional employer contributions to the pension plan, wage continuation or benefit continuation for a period of time, payment of some or all relocation costs of the employees, participating in providing retraining, contributions to a community adjustment fund, and that the plant be offered for sale

instead of being closed.

5. Industry Must Bear Initial Cost of Change: The human cost of technological or other change, plant shut down and worker displacement must be initially borne by industry. There must be a disincentive to a company intending to close its operation. Financial and other penalties should include payment into a fund to offset loss of revenue to the community, financial provisions for retraining, relocation and necessary income support to the workers affected. The company assets should be seized if these measures are not adhered to.

This is designed as a deterrent to make the company think twice before it moves elsewhere in its quest to maximize profits.

6. Runaway Plants: In an effort to make foreign-controlled branch plants behave, the government should impose economic sanctions on them if they become runaway plants. This can take the form of an embargo on imports of the parent firm's products, taxation and monetary fines.

Because of the preponderance of foreign control in our industry, Canada, and particularly Ontario, more than any other country or jurisdiction, need laws that will deter a viable industry that the workers and the community have become dependent upon from moving elsewhere. The Ministry of Labour at present has no power to compel a company to show justification for its move or to open its books.

Whether it is runaways to other locations in Canada or elsewhere, such actions should be discouraged by effective laws and regulations.

7. Fringe Benefits and Severance Pay: Adjustment assistance for displaced workers, severance pay, mandatory transfer rights with no reduction in benefits, guarantee of all fringe benefits payments and adequate income maintenance should be provided by the company until the individual is re-employed. Severance pay of one week's pay for each year of work should be mandatory in all enterprises and should be separate and in addition to notice of termination payments or any other payments or benefits such as UI without offset (sic) or reductions.

We have with us today in the audience in this Committee room a group of workers from Premier Plastics in Richmond Hill who have been battling for the collection of their severance pays since January the 20th of last year and the Committee may want to at some point direct a question to that group.

Generally, fringe benefits are negotiated and are regarded as deferred wages when they are non-contributory. These should be continued since an unemployed worker is often unable to provide funds for these payments. Severance pay also is needed as a means of weathering the period of unemployment. In Britain, the Redundancy Act provides a week and a half severance pay for each year of service.

8. Security of Pensions: Pension security should not depend on job security. Workers should be entitled to accumulate adequate pension benefits throughout their working lifetime, and this will require portability and security of pension funds.

The pension review now in progress, after a decade of commissions, task forces and legislative and parliamentary committees, has yet to deal with these problems adequately.

9. Bankruptcies: In cases of bankruptcy, wages and other worker entitlements should have top priority. Wages owed should be deemed moneys owed in trust.

Although there are attempts to enhance the preferred position of a pension plan for unpaid employer contributions if the employer goes bankrupt, it may need coordination with and assistance from federal laws to make this effective. Pressure must be put on the federal government to amend the Bankruptcy Act and give wages and other worker entitlements top priority in bankruptcy cases.

Our wealth of natural and human resources, our innovative capabilities and the increased education and skill of our work force has raised our productive capacity to unprecedented heights. With improved plant shutdown and layoff legislation, with the adoption of an industrial and economic development strategy, and monetary and fiscal policies to stimulate the economy, Ontario could provide enough jobs for all those who wish to work with decent wages, working conditions, and security, consistent with the expectations of a modern industrial society.

All of which is respectfully submitted.

I would draw the Committee's attention to the chronology of activities in Appendix A. Again, further background reading in Appendix B and, of course, the amendments earlier mentioned that were submitted in August of 1986.

Mr. Chairman, I'd just like to conclude with these short comments, that I think the focus of the brief is to bring to the Committee's attention that although they may

not have enjoyed the same level of media profile, it is clear that the number of shutdowns affecting a great number of workers has not diminished over the last six-year period.

And secondly, that there has to be some process of justification that is demanded of an enterprise in that it cannot just arbitrarily make a decision that may only be in its own interest without taking into the consideration the equity of the community and the workers involved, and therefore there must be some form of a justification process.

And thirdly, we are asking for the creation of an Employment Standards Board which would be modeled, as our brief has indicated, in much the same fashion as the Ontario Labour Relations Board and with, of course, the same level of powers so that they too can exact, I think, solutions to sometimes very complex problems.

We would like to thank you for the opportunity to make this presentation, and we are available to answer any questions raised by yourself, Mr. Chairman, or members of the Committee.

Mr. Chairman: Thank you, Mr. Wilson. We appreciate the specific nature of your brief as well with the nine specific recommendations. It makes it easier for us to view them that way.

A couple of members have indicated interest -- Mr. Mackenzie and Mr. Callahan.

Mr. Mackenzie: The CMA and the various chambers of commerce have appeared before us in the last few days, and the CMA in particular was three spokesmen - one from Stelco, one from General Motors and one from Noranda - made a fairly strong presentation, I think, that we have to understand there is restructuring going on in the economy in the province, that things are changing not only here but right across the world, and that we do ourselves, in effect, a disservice if we concentrate on trying to keep plants open that we should be looking to entering into the restructuring and the new technology that is going on, and that our emphasis, instead, should be solely on what we could do to retrain or see that workers get into another job.

I was struck by the lack of any additional protection for workers currently let go as a result of plant closures. But was the gist of their pitch, that we should not be trying to fight what is going on; we should be looking for ways and means of assisting the workers per se, but not to try and keep plants going. And I am just wondering if you have any particular comment on the

arguments that have been made.

Mr. Wilson: Let me make a short comment, and I think Mr. Shell would like to make a remark. It would seem to me the question is: Whose ox is going to be gored? The status quo has been that it has been the workers and not the shareholders that have suffered in that situation.

What we are proposing is that there should be an elimination of examples such as we have seen, for example, in the Cadbury's plant where a totally viable enterprise doing well was submitted to a process whereby it was bought out for competitive reasons, closing a plant with the great number of workers simply thrown out into the street and with no responsibility therefore attached in any form by that corporate entity.

And there are examples after examples of examples of enterprises who have closed in this province not because those enterprises were not profitable but rather because they could be made more profitable in some other part of the world -- usually those parts of the world that human and civil rights standards that we would not tolerate as citizens in this province. Therefore our people suffer as a result of those standards we have attached to the level of dignity in the ways in which we live with each other.

My response initially to that question is that I think that it is about high time in this province the working people were given some consideration in the development and planning of industry as to how it will continue in this province.

Brian, do you have a comment?

Mr. Mackenzie: Just before Brian, because I think it's part of the same question and maybe I should have asked it, the other argument that we got from these same people as well as others was that tougher closure laws to deal with this and tougher measures to protect the rights of workers would also lead to an end of investment in the province of Ontario or a serious curtailment of new investment in new plants.

Mr. Wilson: With great respect, we have a federal Prime Minister who is telling us that if we knock down tariffs we're going to have overwhelming investment in this province and in this country. I think that if other jurisdictions in this world who have in place already those things that we have submitted to this Committee today, can function and be viable as their economies are, then there's certainly no reason, I think, that we should sell ourselves shorter than that in this province.

Brian?

Mr. Shell: Thank you. I think it might be useful for the Committee to turn to page 28 of the August submission made to the Minister of Labour, which I think was appended to the brief that you have.

It should not be thought that the position of the Ontario Federation of Labour is to keep open widget companies that no longer have a market to sell widgets. That is not the proposal that is being put before you. So that to suggest, as it was put to you and to your Committee earlier that restructuring in the economy, both domestic and continental and international, should result in closures and that is a natural, normal phenomenon in the market economy, may well in fact be the case. The process that we are suggesting be put in place here is to determine if, in fact, that is what has happened. It is to test it.

When we read the front page of the Globe & Mail this morning and we find out that a company is simply shutting down because its parent company would prefer to have a profitable enterprise in Ontario not functioning so as to reduce or set off a debt in Pennsylvania, that is the kind of process that may not be simply the result of a shakeout in the international market, but may be simply the effect of what a parent can do to one of its subsidiary enterprises.

If you look at our Section 43(1) at page 28, you will see that the Job Protection Division, a division of the Employment Standards Branch that we propose, will first have to determine that an intended layoff or plant closing - and this Board will be given six months' notice just as the Minister will have six months' notice - it will first have to determine whether the intended layoff or plant closing is of major significance.

That's the first threshold test. If it is of minor significance then it doesn't matter; then we do not look into it further. That should hearten small business that where they have a four-person operation on the street corner and they decide to shut down, not only do they not have to give notice because they have fewer than 25 on the proposal set forth in this document, but besides that, the impact of that shutdown in the community in Toronto will not be regarded lightly by the Board as of major significance. The shutdown at Sunbeam, however, would likely be regarded as major.

So the first threshold test is that it be major. And then we go on:

"The Board will (sic) forthwith commence a study of the circumstances and the expected social and

economic impact of the intended layoff or plant closing and through such study, which may include a hearing before the Board, the Board shall,

1. determine whether the ... layoff... is or is not justified;
2. where it is justified, what ... remedy is required;"

And finally,

- "3. Where it is not justified, what action is required..."

The process will lead to recommendations of a non-binding nature to the Minister. The Board will not be empowered on its own to tell any enterprise what to do or what not to do. So in that sense, it's different from the Ontario Labour Relations Board and it differs from a court.

But it takes, through the process of a public hearing and a determination of major significance, it takes something that affects each is every one of your constituents and exams it. And it if concludes that it is not justified and it is of major significance and a study has been done that establishes that it is major and that it is not justified after the enterprise has had the opportunity to appear before the Board and make its arguments and explain why it is merely the result of a rational, economic restructuring in an international competitive market - which argument is not accepted by the Board because the Board decides, No; it is a Sunbeam-type situation that is not justifiable - then, the attention shifts to what will the government do?

So, if you turn to the next page, at page 29, you'll see that where the Board conducts an inquiry, in subsection 6, it will complete its inquiry and submit its report to the Minister ninety days before the closing date. So everything will happen quite quickly. And ninety days before the closing date, the Board will set out its findings, its recommendations and opinion and proposals to the Minister.

So this is not a situation where the police come in, seize the records and tell the plant whether to stay open or shut down. Some will read it to be that and this is not what it is. It is a situation where you examine rationally and you examine creatively what is going on in the community, and then you make recommendations to government. It would seem to me and it seems to the Federation that any reasonable government would like to have the information before it so as to permit it to

understand what's occurring within its jurisdiction and take whatever steps are reasonable in the circumstances.

What are the steps that are reasonable? If you look at Section 44(1) at the bottom of page 29, we're proposing that the Minister, after he gets the report, can make whatever orders he considers reasonable in the circumstances to reduce the impact of the layoff or the plant closing and, specifically, without limiting his power, he can order the employer to make contributions to a pension plan, he can continue the payment of wages for a specified period of time, he can defer the sale so as to permit it to be open in the market, he can ask the employer to pay reasonable relocation costs, he can ask the employer to participate in a skill training or retraining program, he can pay funds into a community fund that's created by this proposal and any other reasonable remedy including offering security of employment to employees affected by layoffs or plant closings.

And you will see in subsection 2 there in some circumstances it may be warranted that the plant be acquired by the public through the Lieutenant Governor in Council.

So that what we have here is a method of examining whether government should be involved in a plant closing or whether the plant closing is because horse whips are no longer available in the market. And so George's horse whip company which used to employ 72 people, shuts down because they cannot sell horse whips any more. That would be the kind of situation which would be very regrettable, and we would lament the passing of the horse whip producer. But it is very unlikely that the examination into the deterioration of the horse whip market would result in any action at all.

It's quite different from a decision by a major producer to purchase the enterprise of a competitor, take the market information, shut down the competitor's operation. That is not at all the same.

Mr. Mackenzie: With regards to the suggestion you made here, it does require an additional period of notice. In the last few weeks we have raised a number of the most recent plant closures in the House. I think the last three or four that I raised personally were of the Cooper Kirsch plant in Woodstock, the steelworkers Screw and Nut and Bolt plant, I think--

Mr. Shell: Federal.

Mr. Mackenzie: --Federal Nut and Bolt plant, the Carrier Air Conditioning plant here in Toronto. And one of my colleagues, of course, was one of the first people

up on the Goodyear Tire and Rubber plant. We didn't get a chance to raise the Otis plant because it happened the last day the House was sitting.

But in all of these cases, the notice given to the employees was usually not much more than that required or in some cases not a bit more than that required by law. But in every case, with one exception where I think the government was informed about three days earlier, as near as we could find out both from the questions we asked in the House and from talking to the Ministry, the government had no more notice of what was happening either. And yet we have arguments raised with us that "We have plenty of notice now" was the argument that basically has been made to us by the various business groups that have appeared before this Committee. And I am just wondering if you have any particular comment on that?

Mr. Shell: Well, even the renowned jurisdiction of Newfoundland, a jurisdiction not famous for its minimum standards legislation, provides that there will be notice of major layoffs and the notice will to be given to Minister. And if you do not give the notice to the Minister, you are going to the pay in lieu of notice because the notice is not going to count.

And so there is our first little model starting way out in eastern Canada. And I'm sure that when your research officer examines the law throughout Canada, you will find that it is not at all uncommon for government to be notified.

What we have proposed is we have taken the model in the original statute -- right? The conservative statute, the Employment Standards Act as it exists, which currently provides in certain circumstances of layoffs greater than fifty for notice to be extended. And the Regulations provide that if you have a huge, massive, unbelievable layoff - a huge unbelievable layoff of more than 500 persons - then the workers will go 16 weeks' notice -- approximately four months.

What we have said is, "When you know you are going to shut down and lay off a substantial number of people, you plan in advance and you ought to provide notice of six months. And so we have said at page 16 of our document of the actual legislative language, we said in subsection 2, Section 40(2), that where there is going to be what we refer to and what the statute already refers to as a "mass termination" of more than 25 persons - currently it is more than 50 persons - in any 12 weeks or less - currently it is any 4 weeks or less - you have got to give 26 weeks' notice to the employee, to the Board, and to the Minister in order for the Board to conduct the inquiry, in order for the Minister to participate in the process and

conceivably derail the shut down if he considers that is appropriate and the employees where they have been laid off - and lots of them are laid off - so that they can rearrange their lives, prepare themselves psychologically and economically for unemployment and put themselves in a position to begin to look for alternative work.

The current provisions are just grossly inadequate and they leave government out of the process as if you are to simply clean up the mess. Government is to clean up the mess, close down the new school you just built because you believed the community was viable and the plant was going to be there, and so you built a new school, but there they go ahead and they pull the plug out so your new school now has nobody to go to it. You get to clean up the mess. You turn your school into a warehouse for whatever you use.

So the proposal does empower government to have notice and participate in the process, no longer to sit on the sidelines.

Mr. Mackenzie: There is a number I would like to ask but only one more that I want to because others want a chance, Mr. Chairman. But your Proposal No. 4, Job Protection Division, the Employment Standard Act be amended to set up an Employment Standards Board and that that be composed of a couple of divisions: Job Protection Division and Minimum Standards Division.

I take it that that proposal is to break away the current employment standards section from the - not from the Ministry but from the Board; it actually, I suppose, is not directly under the Board - but set up a separate division much like the Labour Relations Board which has authority to deal specifically with improvements that we may need in employment standards and also to deal with the procedures you've outlined in terms of plant closures. It would set up a body equal to, in effect, the Labour Relations Board; am I correct?

Mr. Wilson: That is correct.

Mr. Eleen: When we go to the Employment Standards Branch with a problem of this sort, they are often very sympathetic, but they are just powerless to do anything because there is nothing in the legislation to help the people in the Employment Standards Branch to do anything but they have got notice of termination. That is all it is.

And they sit there and the other groups sit there and they try to set out the workers - the people from the government are trying to do something - but the legislation does not help them any. And all it is is a sitting PR

session. And they bring the government in; they bring the federal government in and so on to try and spread out the guilt, so to speak, and nothing happens.

And that is why we have proposed this section where there would be some sort of formal procedure where the government and its agencies have at handle on it, and they could do something. And it, in the long run, I think it also would deter an employer to have frivolous closing because they would to go through this procedure publicly as we do in cases before the Labour Relations Board.

There is no reason why this body that we are proposing should not have the same powers as the Board has, Labour Relations Board, since its dealing with worker problems as the Labour Relations Board is doing.

Mr. Mackenzie: Mr. Chairman, I might have said the group that is in here - and it is too bad we do not have the time for a full hearing - but the employees from Premium Plastics, they are here right now, are part of a plant that shut down better than a year ago.

Two companies, both with over 50 employees, both in the same location owned by the same company, the employees have now been battling for well over a year through Employment Standards and they have met with some of the senior officers, and I was on the phone to some of them today. And I have got arguments saying that "We think your case is good and it should be resolved," but better than one year later there has been no resolving of the severance pay issue here.

And it revolves around the fact that when the plant closed, there was argument over whether it was 52 or 54 or 56 employees there, not counting foremen, and whether or not, because of a couple of WCB cases and some other arguments, it could be lowered below that.

And the company has successfully and with the Ministry apparently not willing to get tough and make an order on it, stalled even a decision on this so they could take it to appeal or to the Board. See, if they don't have the rights has stalled this for well over a year. And the cases like this are legion in terms of some of the loopholes we currently have in severance pay legislation.

Mr. Shell: Mr. Chairman, there is currently no board that deals with employment standards, so we are proposing that there be a new creature created called an "Employment Standards Board." Newfoundland has one, but Ontario doesn't.

The Board would consist of two divisions. One division would deal with so-called "minimum standards" -

minimum wages, overtime, vacations, holidays, severance pay, termination pay - the things that are currently done by the Employment Standards Branch, its director, and from time to time, certain appointed referees.

The problem that Mr. Mackenzie speaks of has to do with the very profound delay in getting referees to sit and in getting the government to move to appoint referees. It is just a travesty.

The second division, the Job Protection Division, would be a specialized division with special expertise in the economic circumstances surrounding plant closures, plant restructuring, world markets. You'd have specialized people, and those specialized people would be able to conduct specialized inquiries and to provide specialized recommendations following the inquiries to the Minister.

The proposal is that the Plant Closure Job Protection Division be part of the Employment Standards Board. It seems sensible, but I do not think that the Federation is married to that concept. Job protection and plant closure is an interdisciplinary phenomenon, and as a result it may well be interministerial.

There are other Ministries in government apart from Ministry of Labour that are concerned with the phenomenon of closures. And it may well be that you might want to create or to recommend some interdisciplinary body called a "Job Protection Board" that would feed information to more than one Ministry, and it might be within the control of a group of Ministries including Industry, including Treasury.

Let there be no doubt that there is an understanding in the Federation of Labour that job closures go beyond the impact on the individual workers, the impact upon the entire community, the impact upon other industry in Ontario and Canada, the impact upon Canadian trade position. But the time is well overdue for government to approach the problem and at least come to understand it in a formalized way and take action where Ontario is being mistreated.

Mr. Chairman: Thank you. Mr. Callahan?

Mr. Callahan: Thank you, Mr. Chairman. I'm an interloper in this Committee. I'm actually sitting on nursing homes, and if I do not get back there soon, I will be in one.

What I would like to ask you is at page 28, 43(1) you've suggested a test: "Where the Board determines that an intended layoff or plant closing is of major

significance..." What I would like to put to you is, in a city of about 180,000 people, if 141 workers were first of all told that the company was in financial trouble and told that they had to 'up' their production, and in anticipation of that, they did it. They were then commended for having done that and that the company was now back in a satisfactory financial position. And then suddenly they were also told that some different type of operation was going to be brought into Canada to replace the one that was there.

And then suddenly they were told that the company was leaving and a competitor tried to buy up that company but was told, "We won't sell to you because you would then deal with the market share that we are going to maintain." In other words, they are going to distribute the product, they are going to service the produce, but they are not going to manufacture it here; they are going to manufacture it in the United States.

Would you consider that 141 workers -- and I may as well tell you who these people are because they came into my constituency this morning; it is Carrier Air Conditioning in Brampton. I do not know whether I came in a little late; I do not know whether you carried their brief for them. They indicated to me that you were going to.

Number one is, would you consider that closing as of major significance under the terms of the rules you have -- 141 employees in a city of 180,000 people?

Mr. Wilson: It is a bit of a tough call, but under the circumstances you described, I think there would be merit, yes. When a corporation simply buying out a competitor for a market share without any consideration for the people involved then I think there is some responsibility on the community through the government to react to that.

Mr. Callahan: I don't think they are buying them off the market share. What they are doing is they are leaving Canada, as I understand it, and they are going to set up manufacturing in the United States but still maintain their product sales here and their servicing here. And when a competitor comes along and says, "We would like to buy up the plant," they won't allow them to do it because that would interfere with the marketing of their product here and their servicing the product.

Mr. O'Flynn: And our proposal is that there would be a board which they would have to come in front of and they would have to justify the closing of that plant. And if they were closing it simply in the terms that you have described, then the board would, under the remedies that

had available to it, the Board could give them good cause in terms of the extra cost, not to proceed down that line but rather leave the plant open.

Mr. Wilson: If I can quote from such a raving socialist as William Mulholland, The Chairman of the Bank of Montreal, he speaks to what you are talking about. He said that far from creating new factories, technologies and jobs merely rearrange the squares of the Rubik's Cube, throw thousands of people out of work, further concentrate corporate power and make a few rich players even richer. It is cheaper to make money with money than with making new and better products.

And what we are saying to this Committee is that seems to be the operating philosophy upon which a number of enterprises turn, and that their consideration is that, as stated by Mulholland rather than any concentration of or any thought of what effect their actions have on this government, this province, these people and their community.

That is the problem. If you look at what we have said in a couple - certainly in the one table in our brief - we went through a recession in '80 and '81. And there were a number of plant closures and shutdowns and a lot of them received a great deal of media attention. But it is clear also from the pattern that has evolved that even as the economy continues to strengthen, the process of shutdowns continues.

What we are saying is there has to be a cause for that, and often when you look at what the cause is, it is completely void of any consideration or any responsibility to the community in which those enterprises are located. And the only thing that will change that are some legislative changes that are going to give some authority in some way to some branch or form of government to be able to intervene so that capital in those situations do not have an absolute, unfettered right to make a decision only in their own interests and that, conversely, there has to be a way that we can compel them to make a decision that also complements the interests of the communities in which they are located.

Mr. Callahan: Just as a final question, if I could, to follow up on that, in light of the discussions that are going on in Ottawa - whatever they call them: "free trade," "freer trade" or whatever--

Mr. Wilson: It depends on what day it is.

Mr. Callahan: --it would seem almost as though, and I do not espouse any motives of this type to Carrier, but that it could become the order of the day that

manufacturing companies would, in fact, find it no longer worthwhile to stay in Ontario. And they would do exactly the Carrier scenario -- move their manufacturing out of Ontario and simply market and service the product here, which, as I understand the facts and figures of Ontario in terms of the manufacturing industry, to be absolutely devastating.

Mr. Mackenzie: Convince some of your colleagues.

Mr. Callahan: I beg your pardon?

Mr. Mackenzie: Convince some of your colleagues.

Mr. Callahan: I just put that question out because obviously this is the difficulty between on the one hand trying to maintain an environment within Ontario to encourage people to invest and to be able to freely deal in a business fashion, and on the other side of the coin, to make certain that, as you said, the interests of those individuals is not such that when the dollar is down, they are here; when the dollar goes up and it is not so favourable or if there's a biennial election in the United States or whatever the reason is, and most significantly the horizon of the free trade issue, that they can simply abandon the workers and cast them onto the municipalities and onto the government social agencies to retrain them and to assist them until that matter turns around.

Ms. Griffin: I think that is the point that we are making when we talk about major significance. The one isolated incident may not be a major significance within a community, but the cumulative effect of ten of those small manufacturing plants, 10 times 141, you're suddenly looking at 1400 jobs. And that is why it has to be stopped at the beginning and not somewhere down the road when we have lost another two or three or five thousand jobs.

Mr. Wilson: If you are talking about the need for an environment which is attracted to investment, what we are trying to say to you is also part of that side of that coin is that the environment that exists is also an incentive to disinvestment in that there are no rules or regulations in place which could deal with situations whereby the people involved in the communities are the ones that suffer.

So, I mean, there has to be a balance and what we are trying to convey to you is that there are structures, I think to be put in place. We can achieve a balance which protects the equity of the workers involved in such a way that they have never been protected before. In doing that, also protect the community.

There is not anything out there other than a track record which states that most enterprises that have located in our communities in this province that have foreign origins -- I challenge anyone in this room to give me a list of ten of them that did not do so with some form of municipal or government aid at some level or another. They all received incentives by which to locate. Well, if that is true, then the right to make the decisions to leave are not arbitrarily theirs either.

Mr. Callahan: I just wanted to place that on the record, Mr. Chairman, and I hope, Mr. Smith, I have accurately -- Mr. Smith who was here -- I accurately indicated on the record what the predicament was in the Carrier plant.

Mr. Chairman: Mr. Callahan, the lawyer for the union has been in touch with the Committee and is going to send in a written presentation.

Mr. Callahan: I understand that, but I just thought it was important that it be on the record.

Mr. Eleen: Mr. Chairman, I want to add to the point made by the previous speakers and that is that some time ago we presented a brief to the Ottawa government to salvage FIRA when they were disbanding it. And FIRA had a mandate that if a plant is closing down that is not in the interests of Canada and they could do something to stop it, they have set up another body called, "Investment Canada." A number of these plants that they are currently closing or have closed have gone to Investment Canada for some adjudication on it and they wouldn't do anything. And I think that should be kept in mind also that those who were cheering the dismanteling of FIRA should have second thoughts about that.

Mr. Callahan: That was also part of our discussions this morning and I think elimination of FIRA had that exact result, that they -- Nobody was certain. Even the person coming in didn't know what the ground rules were and nor did the workers. And as a result, you had some of these tragedies.

That very much, Mr. Chairman.

Mr. Chairman: Thank you, Mr. Callahan. Mr. Pierce?

Mr. Pierce: Thank you, Mr. Chairman. Mr. Wilson and group, my congratulations for a well presented brief. Let me ask you, have you had any response from the Minister of Labour in respect to your proposed amendments to the Employment Standard Act?

Mr. O'Flynn: No. We presented that brief on August

the 5th last year, and we had some difficulties getting a response at all or indeed having any discussions with the Ministry, and after making many representations to them about a month go, we succeeded in getting meetings with policy staff from the Ministry. And we meet regularly on a Friday morning now for the last four weeks discussing our brief; that is where it lies at the moment.

Mr. Pierce: Could I ask you, are you encouraged by the meetings that you are having?

Mr. O'Flynn: Well, the people that we are meeting are policy advisors, and I am sure that this will be a political decision. So they have not brought the politicians to the table yet.

Mr. Pierce: Let me ask you, on page 11, your recommendation no. 9, I have some personal feelings in respect to how we should be treating bankruptcies in companies regardless of the size. And that is that in the case of an employee being owed wages, that the Ministry of Labour should have a mechanism whereby they should be able to pay those salaries immediately to the employee and they, in turn, have a better mechanism for collection through the Bankruptcies Act than what an individual employee has.

In my mind there is no reason why an employee should have to sit out there for a year to two years to three years trying to collect his last two weeks' pay or his vacation pay because he is certainly not a preferred creditor. He is down at the bottom of the list and when everything else is said and done and the government has their taxes, the municipality has their property back, whatever is left then is disbursed amongst the people that were the last ones on the site.

And I would think that in your recommendation that you should say that, that the employee should be the first one paid and he should be paid either through a mechanism by the Ministry of Labour or some other form of government and let them collect the money.

Mr. Wilson: I thought we were saying that, but I guess you have come at it a slightly different way. What we really are saying here, our objective is that we want the employee to be the first creditor paid. I guess what you are doing is saying we have not said it the way you think it ought to be said.

Mr. Pierce: I guess I would say it much stronger and that is that the Ministry of Labour should move in immediately, pay off those salaried employees and get rid of that part of the business and then let the Ministry of Labour or whatever other form of government agency wants to proceed with the collection through the Bankruptcy Act.

and go ahead and do it and include in their claim, the wages that they paid out on behalf of the employees.

Mr. Shell: Mr. Chairman, there have been two recent studies. One commissioned by the federal Minister, Mr. Cote then, as now he has some new Ministry, but he was then the federal Minister responsible for bankruptcy legislation. He commissioned a study that was chaired by Mr. Coulter (ph.) and amongst other things, Mr. Coulter recommended a wage protection system.

The other study that was commissioned a number of years ago, I believe three years ago, by the former government, was prepared by Don Brown. And the Brown Report recommended a wage protection fund which the OFL has endorsed.

However, the Brown Report said that termination money, money that you ought to receive when you are laid off but that you were not paid because they did not give you the notice - termination money - and severance pay, money that you should receive because more than 50 people have been terminated within a six-month period and all with more than five years' service, the Brown Report incredulously recommended that termination pay and severance pay not be paid to the workers. Only wages; that is, all they should get is the wages that they are entitled and the vacation pay which is currently a deemed trust. They shouldn't get termination pay and severance pay.

And the position the OFL has put to the Ministry of Labour is, Well that doesn't make any sense. If a worker is terminated, he should be entitled to the severance pay that the employer has known all along he would have to pay him if he was terminated, and he should be entitled to the termination pay. And entitlement is very useful except if you cannot collect what you are entitled to, you can take your entitlement and with your entitlement at 50 cents you can buy coffee. That is it.

And so the argument has been made that termination pay, severance pay, wages, vacations, et cetera, that which accrues to you as an employee, ought to be put into a job protection fund or a deemed trust, and be reachable before the blessed banks go in with their debentures and take all of the assets.

Mr. O'Flynn: Brown's justification for not giving priority to wages was that the banks have to get their money first; otherwise, they wouldn't be inclined to loan money out at risk.

Mr. Gillies: By way of supplementary, there are two points, I think. And I quite agree with you. One is the

woefully small percentage of laid-off workers, whoever collects severance pay period because of the way that section of the Employment Standards Act is structured.

The other point which I think he made very well is entitlement. Entitlement is one thing, but I have all sorts of workers in my riding who don't collect because the money isn't there. But if the money is paid into a fund at the time of every pay period and is in a separate fund and is not part of the assets of the company, then it has nothing to do with the bankruptcy. And I quite agree with you.

And I think that is a way to do it, and I don't think it would be particularly onerous on a business to do that, because it is, after all, an obligation that they presumably, in their bookkeeping, are taking into account that they would have the expectation of paying it out eventually anyway.

Mr. Shell: That is completely correct and beyond that we already have a model for that. Section 15 of the existing Employment Standards Act deems vacation pay to be sitting in a separate trust, and it work perfectly fine. So the only question is why it is that you and your colleagues have not said the same thing about termination pay and severance pay. Each of you has constituents that have lots of entitlement.

Mr. O'Flynn: But as a result of our presentations today, they won't.

Mr. Pierce: But I think that it goes deeper than that, and that, of course, is having companies in your own riding that have declared bankruptcy and left the employees without even, and I say "without even," the last month's salary that they, in fact, have worked for and presented themselves on the job for and did not get it.

You know, not taking into account the severance pay and the vacation pay and all the other pay that they did not get but even the last month's pay that they worked for and did not get. And that brings it to the front even more than the presentations, and that is talking to the person that is now almost two years.

Or to go beyond that, talking to the person who worked for a company from Quebec in Ontario for the last year and-a-half and short-changed their pay for almost a year and-a-half, and the Department of Labour was investigating it. But now because the company has left Ontario and is back in Quebec, they are not subject to the regulations of the province of Ontario or subject to the collection agencies of the Department of Labour.

So it goes deeper than just a company going bankrupt. It goes the point of a company that leaves the province or never was in the province to begin with except to take out out it.

Mr. Wilson: With all the affirmative statements here, I have to ask the question why it has been so delayed that any changes that have been made based on the subject or close to the subject we have been discussing today.

Mr. Pierce: I guess the difference is we get to ask the questions.

Thank you, gentlemen. Thank you, Mr. Chairman.

Mr. Eleen: I think Sean is right, that we understand the thing better now and probably it will come about. However, I want for say that I find Mr. Pierce's proposal very interesting and it is not so far away from our own in that if the government had a responsibility to see that those wages came to the worker, then they might just take it out of the coffers; they might bring about such legislation to save money that the employer should put in trust.

Mr. Chairman: Thank you, Mr. Pierce. Mr. McGuigan?

Mr. McGuigan: Thank you, Mr. Chairman. On page 8 of your submission, the second paragraph, the last item: "and operate the plant for the benefit of the public treasury and preserve the jobs of the workers involved."

I have no problems at all with doing that in the case where a profitable company was closing down simply to move the operation someplace else or for--

Mr. Eleen: --SKF.

Mr. McGuigan: I have no problems there. But in the case of, a guess a tire company usually is a very good example. You have a branded product that has a place in the market and it draws the premium price because of its name and customers' loyalty built up over many many years. And if you took that over, it seems to me you would lose the right to put out brand-A tires, you would have to go under a different name.

Mr. O'Flynn: But we are not recommending that at all. We are not recommending takeovers. We are recommending that a Board investigate and recommend whatever it deems to be appropriate. And the Minister has then the opportunity to intervene in the situation and do what he things appropriate.

Mr. Wilson: Which may result though, however. Or may not.

Mr. O'Flynn: Or may not.

Mr. Wilson: What is alternatives to that? We have persons here in the room today who have suffered the loss of their jobs at that tire plant simply because of some machinations and some power pushing in the upper echelons of those people who are financiers. As a result, the corporation, in order to cover that capital loss, had to make a decision that they are going to close down their facility here and move their operations to the US. And what do we say to them? We say, "Well, you have every unfettered right to do so if you can continue to make your product in the US and sell it on our market."

Now, I want to suggest to you that makes less damn sense to allow that to continue than to worry about whether or not what name we are going to call a tire if we took over the enterprise. I mean, I am not an expert in those sorts of laws, but I want to tell you if the government of Ontario decided they wanted to call it the Goodyear Tire Corporation of Ontario, let them come to the courts and knock us off the status quo for the next ten years.

Mr. McGuigan: I am concerned with the practical application of it. I certainly do not agree that we, number one, need proper competition laws, which is federal, to prevent closing a company simply to get rid of the competition if we had any proper competition law in this country.

We read yesterday in the Globe and Mail about discounts and so on again in the food industry, and that is due to the lack of a proper competition law, and they have those laws in the United States. And again, we were told by other - well, I guess from the Goodyear people here - they told us that there is certain safeguards that could be taken in the money markets that would make it very difficult for people to do what happened in their particular case, and I think those things should be done.

But when you come down to a point where you have a plant that it is very doubtful that you could operate it with the advantages that the former people had, how do you really carrying on on what the money --

Mr. Wilson: Well, I am not too sure about that. Maybe the Goodyear plant is an example of this where we, as the people of the province of Ontario, would buy into that facility. It may well be that the parent corporation where we could make that suggestion but to hold equity might have got that, I don't know. I don't

even know if that avenue was explored.

But I have no difficulty with the concept of keeping that operation viable because it is viable, and there is a work force that is a skilled work force and one of longevity who has worked there for a long period of time.

So in the Goodyear situation, I guess what is galling to me and I am sure to the workers involved, is that their jobs have gone, the availability of selling the product, however, has remained. It will continue to be produced in the United States and then exported into this country for sale to the market you spoke about.

It just seems to me that there is a great injustice in this process because there are other stakeholders in that game and most of them were the workers involved, not only union employees but non-union managerial employees who have sunk their life into that plant and now have no recourse.

Mr. McGuigan: I agree with everything you say, but we, as legislators, have the task of trying to make the remedy and we don't --

Mr. Wilson: It is complicated, I agree.

Mr. O'Flynn: But you see that point that perhaps we have not expressed clearly enough is that what we are saying is, at the moment nobody makes a decision at all about any closures whether it is justifiable or whether it is not. We are saying that this Board should be set up and the Board will make recommendations, and the Minister - who is elected by the people - the Minister will decide what he is going to do about it. And he is responsible for what he does to the Legislature and to the people that elected him.

So we are not recommending any specific remedy. We are saying these are the possible remedies and the Minister will have the ultimate authority to act one way or another on specific situations once the case has been heard by the Job Protection Board.

Mr. McGuigan: I was trying to get into the specifics, but we are avoiding it so I am satisfied.

Mr. Shell: Mr. Chairman, if I could just add one little thing. There are four key elements to what we have suggested, Mr. McGuigan. None of them is that government take over businesses.

The first key item is notice. The second key item is full and complete disclosure required. The third one is recommendations by a neutral board of experts to assess

and make recommendations to government. And the fourth one is action by government. That is what is being proposed, not that the government walk in because the board says take over the plant and the plant gets taken over. Let the proposals not be misunderstood or be characterized in that way.

Mr. McGuigan: I thought I heard you say that earlier, but this particular page 8...

Mr. Shell: Well, there is a provision that if the Minister concludes that the particular widget plant in question will be a viable enterprise and nobody wants to buy it, but it is at viable, profit-making enterprise, then the Lieutenant Governor in Council can decide that they will take over that business. Frankly, most legitimate profit-making enterprises when you put them on the block they get bought, as I understand the way the market works.

Mr. Chairman: Thank you, Mr. McGuigan.

Mr. McGuigan: Thank you.

The Chairman: Mr. Hennessy?

Mr. Hennessy: You mentioned, Mr. Wilson, that you had a group of people here from Premium Plastics. I'd like to speak to one of them if they'd come up, and I'd like to know what their problem is. You said there would be no problem coming up. Mr. Chairman?

Mr. Chairman: Well, I don't mind that, but I am concerned that by deal with the OFL group first, and we could call up the other people to have an exchange with members; that is no problem.

Mr. Wilson: I may have said that poorly, but -- Mr. Hennessy, I may have said that poorly but what I meant --

Mr. Hennessy: I took you at your word.

Mr. Wilson: What he meant was to identify to the Committee that these people are in this room and certainly the opportunity to speak to them is here.

Mr. Hennessy: Well, I accept it.

Mr. Chairman: Mr. Hennessy, is it okay if we deal with the OFL group first and then --

Mr. Hennessy: Well, I just thought that they were here, that --

Mr. Chairman: Okay.

- Mr. Mackenzie: Well, we also have the Goodyear people before us.

Mr. Hennessy: Well, it is just a question to ask; there is no problem -- I just want to ask a couple of questions I've asked other people that have appeared before the Committee.

A person works 'x' numbers of years, and I think the members are aware, and they are given termination notice or whatever it may be, and they have the opportunity of maybe getting a job somewhere else. But I understand that they can't leave because they lose their benefits and termination money, whatever it may be. It may be a substantial amount of money, but money doesn't grow on trees. And the idea that if you are a working man, you have obligations to fulfil. And they are put in that bind that if they leave to try and better themselves they are penalized. Can you give me an opinion how you feel about that?

Mr. Wilson: They are obviously locked in.

Mr. Hennessy: That is right, sir, but I just wanted to know.

Mr. Wilson: I should speak to that. We do not support the worker being penalized in that situation. As the brief spoke, the situation is that the record will prove that most employees remain loyal to the enterprise until closing.

I don't think that provision is necessary by any stretch of the imagination because I think most workers are loyal to the close-out. However, when an opportunity provides itself for a worker to find full-time employment, he ought to be able to do that, or she ought to be able to do that without any penalty attached, loss of severance pay or any other benefit.

Mr. Hennessy: It is a tough decision to make if you've got twelve years. And to give it all up if you are around 45 or 47 you are just starting to think, Well, what should I do? I am concerned about that clause.

Mr. Shell: The problem, Mr. Hennessy, is that the Conservative party enacted legislation called the Employment Standards Act that does just what you are now complaining of. It forces a worker, upon receiving notice of termination, to wait out the notice period before he leaves, and if he doesn't wait out the notice period, he will not get termination pay. It forces him, if his plant is shut down and he is entitled to severance pay, to wait out the period until he can get severance pay. And if he

quits to go find a job for ABC Widget Company around the corner, he will not be entitled to severance pay because he will not have been terminated; he will have quite.

Now why, we might ask - and you are putting the question, Mr. Hennessy - did government enact Section 40(a) to do that to workers? The answer, of course, is because they were not serious about affording severance pay to workers upon the closure of their business.

And so what you have in our document and it is now what we came here to talk about but I am thrilled that you have raised the question, Mr. Hennessy, what you have in our document is a proposal for a completely revamped severance provision -- completely revamped. One that, in fact, provides severance pay to people who have spent their lives with an employer.

And I direct your attention to page 20 of our written document that is in legislative language. And it simply says, when you terminate an employee, you give him notice of termination, he gets severance pay, period. It doesn't matter whether he is with more than 50 or less than 50, and it doesn't matter whether his plant is shut down or is staying open. The fact is that he has spent these years with the employer and he is gone or he is leaving. Such a person is entitled to severance pay; he is entitled to the repayment of the capital asset that he has invested with his employer; namely, is life.

And that is the way we have dealt with that, but it is quite separate from the issue that we had thought the Committee was seeking to discuss today.

Mr. Hennessy: Okay. Thank you.

Mr. Chairman: Thank you, Mr. Hennessy. Mr. Ferraro?

Mr. Ferraro: Thank you, Mr. Chairman. Mr. Wilson and others, thank you for your brief. I enjoyed it and found it informative and I won't elaborate too much more for the sake of sounding very patronizing.

I want to, if I can, offer you my only amount of personal perhaps bit of criticism to get a reaction from you on your presentation.

Mr. Chairman: Excuse me, Mr. Ferraro, Hansard is having trouble picking you up.

Mr. Ferraro: Thank you. I want, if I can, to offer you my own personal bit of criticism and I say it respectfully to get a response from you. When I read your brief - and I wasn't here for the start of it, so I did

read the start - I had to sit back for a minute - and I don't mean to detract whatsoever from the sincerity and the problem that you have presented to us - but the only difficulty I had reading that brief was taking it in the context of some other information that I get bombarded with daily, specifically how well Ontario is doing comparatively. Specifically, the fact that we have had an excellent number of new jobs. In other words, jobs created exceeded the jobs lost by 153,000 and so forth.

Specifically, when I look at the fact that we have over 320,000 establishments now from 288-. And I suppose I understand why you paint the picture you do to accentuate your point, but I've got this other strong force, in fairness, detracting from the gloomy picture that you present by saying Ontario is in crisis and so forth. And I'll just complete with this and get a reaction from you.

Please understand I am not saying that this government or indeed the federal government should stand up, if there is an occasion and take a bow for how the performance is doing. I think a lot of it is out of the control of the government; it is global in nature.

But on the other hand, I think even the OFL has to realize and, I guess, be appreciative of the fact that Ontario is doing well and it is not, perhaps, quite as crisis oriented as -- When I read that brief in isolation, I can walk away depressed, and I should, perhaps.

Mr. Wilson: There are some people in Ontario who are doing well. There are a great number of people in Ontario who are not doing well.

On page 3 where we talked about the track record of closures, reduced operations and partial closures earlier, and you may not have been able to have been in the room at that point, Mr. Ferraro, but I indicated if you add those columns up, in those reported cases that we have data on - and we believe it is far more extensive than that - there is 125,000 workers who lost their jobs.

Now, compared to what you have just said with the increase in enterprises, three hundred and whatever it was thousand, I would suggest to you that what we have is an economy here that is allowing workers to be closed out of \$10, \$12, \$14.00 an-hour-jobs and be rehired into \$4, \$5, \$6 and \$7 an-hour-jobs, and many of those jobs are part-time jobs.

And I want to suggest to you further that when Mr. Wilson made his pronouncements of how well we were doing in the job creation field in this country federally across the country that a large of number of those jobs, as well,

were part-time jobs.

So there is, I think, a numbers game that can be played. The reality is, however, there are a number, a large number, a significant number, of people in this province who are hurting. And if you want a further test of the fabric of the economy, if we are doing so well, why do we have the phenomenon of food banks, something that hasn't occurred in this country in over 30 years. Why do we have the phenomenon of people dying in the streets, freezing to death because they can't find a place to live? I mean, if we are doing so well why --

Mr. Ferraro: Why do we have politicians that want more money?

Mr. Wilson: I do not want to be flippant, but there may be some Members who are politicians in this room, come the next election, may join the ranks of the unemployed. To the people who replace them it is not a tragedy, but to the people who lose their jobs and are unable to find another one, it is a tragedy.

What we are speaking for today is the number of workers who have lost their jobs. In many cases we believe action by government, intervention by government in a positive way, would have not allowed those jobs to be lost.

Mr. Ferraro: Thank you for your comments.

Mr. Chairman: Thank you, Mr. Ferraro.

Mr. Mackenzie: We should also look at the difference in pay, if we are talking about Members, Mr. Chairman.

Mr. Chairman: I think, as well, that--

Mr. Mackenzie: And extra emoluments that certain party members have -- all but three.

Mr. Chairman: --that Mr. Ferraro wasn't in northern Ontario with us to see the other Ontario up close as well.

Mr. Gillies?

Mr. Gillies: Thank you, Mr. Chairman. I am just --

Mr. Wilson: You asked me a question; I should respond to that.

Mr. Chairman: Go ahead, Mr. Gillies.

Mr. Gillies: I am just wondering, Mr. Chairman, if

your Job Protection Division were in place prior to the next election, some of us might be ordered reinstated. It is a very attractive proposition.

Mr. Wilson: We will put it to a vote.

Mr. Gillies: I certainly want to compliment you on your brief; I think there are a lot of good things raised in there and certainly your position on many of these issues has been consistent.

Julie asked me before we got started this afternoon if my response would be the same as it was to your pay equity brief when I said I agreed with every word you said. I'll stop a little short of that today but I wanted to ask you a couple questions.

Were you aware that the Minister of Labour told us in the recent very brief set of estimates that we had with him that the Ministry is currently working on a package of amendments to the Employment Standards Act? And my recollection is that the Minister indicated his intention to bring them forward in the spring session.

Mr. O'Flynn: Yes, we have had on-going discussions on the same. We presented a brief last August. We had discussions beginning a month ago. Every Friday at 9 o'clock on the dot we meet with policy people from the Ministry, and they have discussed with us our brief and we have dialogued about our brief and --

Mr. Gillies: So these are the very issues that you are raising with them in the context of --

Mr. O'Flynn: We are raising the issues with them; we are discussing them with them and the ramifications of our proposals. We are not aware of what their mind set is with regard to any of our proposals.

Mr. Gillies: I asked in the House, I would say over a year ago, as to when the government would be responding on the whole question of wage protection in the case of insolvency. And at the time the Minister said that he was still considering the proposals in Don Brown's Report but was not sure where he was heading on that. Do you have any indication from your meetings with the government as to what we might see in the way of wage protection?

Mr. O'Flynn: No. We are not aware of what the plans of the government are.

Mr. Gillies: You mentioned a couple -- Mr. O'Flynn, a bit earlier you mentioned a couple of the specific things that you would want to see changed in 40(a) with regard to severance pay. And I have a pretty good idea of

all of the changes you would like to see in that section because we have discussed it before. But for the record, could you give us a quick run through on all the things that are wrong with that Section and what's got to be done to correct it.

Mr. Wilson: Brian Shell has been fielding that particular area at our Firday meetings, so Brian will deal with that one.

Mr. Shell: The question was with respect to the severance pay issue?

Mr. Gillies: With regard to 40(a), Brian, and the question of severance pay, what would you change? I wonder specifically -- One of the concerns that I and other Members have raised is the way that some companies have gotten around the 50 and under provision, the ways that can be manipulated.

Mr. Shell: Depending upon your perspective. Section 40(a) either works very well or it doesn't work at all. It has been described to us in some of our discussions as, in effect, a section that maximizes avoidance. It was designed to maximize avoidance, and it works. It maximizes avoidance.

So if want you wanted was a severance section that could be avoided, you have a severance section that can be avoided. And I presume that there are some in your party who knew that when they drafted it or when they voted for it, and in went Section 40(a) that maximizes avoidance. However --

Mr. Gillies: What should be done to it now to --

Mr. Shell: The problem with Section 40(a) is three-fold. The first problem is that it discriminates between people who lose their job who happen to work in a plant of 726 and people who happen to work in a plant of 47.

Both have lost their job and both have worked for their employer for the same number of years. That is the first problem. And by setting a numerical trigger and a time frame during which the layoff terminations must have occurred, you afford to the employer the opportunity to stagger the terminations so as to avoid hitting the critical trigger number or whatever it is. And so we recommend that there be no trigger number. That is the first problem.

The second problem is Section 40(a) -- So the first problem is twofold; it has a number, 50, then it has a time period. As soon as you have a number and a time

period, it is an invitation to manipulate your termination figures within a time period. Indeed, it is an invitation; it is a red flag.

The second problem is Section 40(b). It requires that terminations must be caused by the permanent discontinuance of all or part of the business of an employer at an establishment. Well, we asked the question, why if you have been working for a company for twelve years and you are laid off and you go out the door, should you be treated differently than if you have been working for twelve years for a company that shuts down? Why? What difference does it make to you? Is it your fault that the plant had to shut down, and had it shut down you would have got severance pay? But because it did not shut down, it only curtailed its operation, you don't get any severance pay; you just walk.

And so Section 40(b) fundamentally misjudges what severance pay is about. It suggests and it confuses that it is about loss of employment, which is what termination pay is about under Section 40. Severance pay is about the return to you for your time spent with the employer. It is what I referred to earlier, the capital return for years of service; it is to reflect your personal capital investment with the employer that you get back.

And so the only triggering event should be after how many years do you trigger the return of your capital? Should it be one year, which is, I think, what we have proposed. Should it be three years? Should it be five years? Should it be twenty years? Maybe a good example would be how long it takes for a member's pension to vest. Maybe that is the number of years that it should be.

The next problem with Section 40(a) is that it says that you must have five years' employment. If you have four years, you don't get anything, and if you have five years you do get something. But what happens if you have 29 years? "Oops! We are only going to pay up to 26. We are not going to pay you for the 27th, 28th, and 29th year."

Why? I don't know. It is an arbitrary cap. Why should an employee who has been working for his employer for 35 years and then he gets laid off, why does he get nothing? But a workers who has been working for his employer for 35 years who shuts down because he goes bankrupt, he gets only 26 weeks of pay. I don't know.

Mr. Gillies: Entitlement.

Mr. Shell: I don't know. So there are your critical difficulties apart from the fact that it should

be treated the same way as vacation pay for recovery purposes.

We have set forth our suggestions with respect to severance pay at page 20, and we think that that reflects what severance pay really is. And there appears to be widespread agreement in the community, that severance pay really is an amount of money that an employee gets when he no longer is working for the employer, and that ought to reflect the repayment to him.

How much repayment? Well, I think that Britain now pays a week-and-a-half. France pays over two weeks. In Canada it seems that one week is sort of the general formula. So we have not recommended that the amount be increased in excess of one week. We have suggested that if you have been working there for a year and you lose your job, you get one week's pay severance pay. If you worked there for 38 years and you lose your job, you get 38 weeks severance pay.

We are trying to balance what you would be entitled to under common law for unjust dismissal. We don't think that workers should be penalized because they have not proceeded by way of civil action to the court, nor do we think that court is the appropriate place where workers should be receiving their termination pay for the discontinuance of their job.

I hope that is clear.

Mr. Gillies: No, it is very clear. The statistic I heard may be a little old now, but the percentage of laid off or terminated workers in the province who actually collect statutory severance pay, is it 6, 7 per cent?

Mr. Shell: It is dreadful and then that percentage that actually collect, a portion of those people have had to litigate to collect by way of referees' hearings et cetera.

As I said, this legislation is designed to maximize evasion. That strikes me as not effecting the statutory purpose. It doesn't say under Section 40(a) the purpose of this statute is to permit employers to evade paying severance pay. If that was the statutory purpose, we would have a perfect piece of legislation.

So the various "loopholes," which people like me call them, have to be closed. We suggest to close them by calling severance pay what it is. It is an amount of money to be returned to employees after they have worked for a period of time for an employer and are no longer working for the employer.

If a worker works for 13 years and quits -- He quits. He says: "I am fed up. I don't want to drive this truck any more. I want to go around the corner and I want to drive his truck," and he quits. Why should that worker be disentitled to severance pay when his neighbour works for 13 years, drives a truck and that place goes bankrupt. His neighbour is entitled to severance pay. Why? Artificial differences, and when we create artificial differences we create unfairness.

Mr. Gillies: I understand there is a bit of a time constraint so I'll make one other point, if I might. Another point you make in your brief with which I think we all have a lot of sympathy is the lack of meaningful and detailed statistical data that is available.

We had the Ministry of Treasury and Economics in here this morning and I don't want to be too critical of them; they gave us what they had. But basically the information on layoffs is restricted to the those persons that they can track because they fit the statutory requirements. In other words, groups with 50 plus, 13 weeks minimum layoff. We don't know how many people in this province have been laid off for 11 weeks or 12 weeks. We don't know how many people in this province have been laid off in groups of 30, 35, 40.

Do you have any suggestion, keeping in mind that the majority of the work force is not organized, so you have got a problem in terms of not being able to collect a lot of the data through your locals, as to how all of that data could be assembled?

Mr. Shell: You have a disclosure requirement --

Mr. Gillies: A disclosure requirement by the company?

Mr. Shell: A notice requirement. You make the employer notify government of what he is doing. You do what we are proposing, and then you will have the statistics.

Mr. Gillies: On an annual basis or per occurrence?

Mr. Shell: Each time an employer decides he is going to terminate more than 25 people, he must notify, according to our proposal, the employees, the Board and the Minister. That would give you the statistical information.

But you are quite correct. There is no information available that tells us how many people lost their jobs as a result of closures in plants of under 50. Nothing. And do not let anybody mislead you about that. And Treasury,

in the brief that I saw, sought to mislead you by telling you that it might not be as bad as all this, at one point, and they highlighted that. Do not let anybody mislead you. We have no information about loss of job from plant closures of a plant of 49 or less. Nothing. That closure is regarded as an unemployment statistic just like a regular layoff.

Mr. Gillies: All right. Thank you very much. Thank you, Mr. Chairman.

Mr. Chairman: Mr. Wilson, thank you and your colleagues. You have heard the members express their appreciation for the clarity of your brief. It will help us as we sit down tomorrow and deliberate what our recommendations to the government should be. So thank you for your presentation.

Mr. Eleen?

Mr. Eleen: Mr. Chairman, I wanted to draw your attention to the fact that in the brief there was reference to an economic paper which might answer Mr. Ferraro's question. And I gave copies to the clerk; I did not want to hand them out before to detract you from the brief, but you should get them from the clerk, because I think in conjunction with legislation we need better economic policies.

Mr. Chairman: We shall distribute those, Mr. Eleen. Thank you very much.

Mr. Wilson: Thank you, Mr. Chairman and members of the Committee. We are, I think, somewhat optimistic by the tone of the questions and the comments that have been made by this Committee, and I would certainly hope that when you sit down to write your report that your thoughts conveyed to the report will be those that we heard today.

Thank you very very much.

Mr. Chairman: Thank you. Mr. Hennessey, this would be an opportune time if you would wish to --

Mr. Hennessey: If the gentleman or the lady would come up --

Mr. Chairman: Is there anyone else you wish up beside you for moral support?

Would you please identify yourself and your organization.

Ms. MacDonald: My name is Sheelagh MacDonald. I am the President of Local 544 UE and the --

Mr. Chairman: Order, please. We are having trouble hearing the witness. You are Ms. MacDonald?

Ms. MacDonald: Yes.

Mr. Chairman: Local 544?

Ms. MacDonald: Yes. United Electrical Workers. And the plant is Premier Plastics, which is a division of Anchor Hocking which has now been merged as of last Friday with another company.

Mr. Chairman: Called?

Ms. MacDonald: Newell.

Mr. Gillies: How many employees?

Ms. MacDonald: In the beginning-- It is two plants - I have to specify that - its was two plants with a common seniority list in one building but there was over 50 in each side. There was over a 130 at one point, but I would say roughly an average of between 52 and 55 workers on each site. Two separate dues per capita pay sheets.

Mr. Gillies: Am I questioning, Mr. Chairman?

Mr. Chairman: Mr. Hennessy, I think. Go ahead.

Mr. Hennessy: You have to realize I just heard about it now. The problem or the question was that you did not receive any severance pay for a year?

Ms. MacDonald: To this date there has still been no severance. The plant notice went up of closure on December the 9th, 1985, to be shut down on the 20th of January, 1986.

One of the problems that has come up was a problem that was addressed here, was workers were given the time to go and find other work and then there would be no penalty and then, of course, there is now no severance although the company says they would not to hold it against them because they could not bump into the other side because they did not have the skills and ability.

We have met with the Employment Standards, Plant Closures Branch. We have had, I believe, it is six different investigators, different offices, different branches, letters, phone calls. Up until a month and-a-half ago there was a report to be coming down. To this date, there is still no report and as a matter of fact while the report was supposed to have been in the mail, I was still getting phone calls from the

investigator, and last month they actually asked for proof of sale. This is a whole year and two months later.

Mr. Chairman: Who was doing this?

Mr. Wilson: The Plant Closures Investigation --

Mr. Chairman: Of the Ministry of Labour?

Ms. MacDonald: Yes.

Mr. Chairman: And both plants closed, did they?

Ms. MacDonald: One.

Mr. Chairman: Just one of them closed?

Ms. MacDonald: Yes.

Mr. Pierce: Normally they like to have you do all the investigating for them.

Mr. Gillies: Just so that I understand the point you made, they gave notice December --

Ms. MacDonald: December the 9th, 1985.

Mr. Gillies: And the officials of company told you that subsequent to that and before January the 20th, 1986, which was the date of termination, that you could go out on company time and seek other employment or even gain other employment and that it would not affect your entitlement to severance pay?

Ms. MacDonald: Yes.

Mr. Hennessy: Was that written or verbal?

Ms. MacDonald: It was verbal.

Mr. Gillies: But it is part of the evidence that you put before the Employment Standards investigator?

Ms. MacDonald: Yes.

Mr. Lonsdale: There is a certain individual who spent 16 years with the company and left. He went out to look for another job. He thought he had the job so we told the company he had another job. They said that is fine. They then told him to collect unemployment even though he was going to be terminated in a week or so and they denied him any severance pay. Sixteen years.

Ms. MacDonald: On the forms that the company have submitted, they have put down that the date of acquittal

is the date of closure.

Mr. Gillies: But that the date he resigned--

Ms. MacDonald ... was the date --

Mr. Gillies: --because of his other supposed employment was the day of the plant closure?

Ms. MacDonald: That is right. And that was, I believe, six people.

Mr. Gillies: And if he had resigned quote, unquote, a day later, he would have been entitled to his severance?

Ms. MacDonald: Probably. But a day later he would not have had a job anyway.

Mr. Gillies: That is right.

Ms. MacDonald: It was closed on the 20th and as a matter of fact, by the 20th it was gone. It was all moved to Stoney Creek. It is an operation in another location who have since gone bankrupt; they have been sold again.

And as of this date we still have not received one penny for any worker. The company is now proposing that they do not have to pay. It is under 30 because they are trying to go by a decision that has come down, I believe it is Outboard Marine in Peterborough, who did not know when they laid the people off that they were going to be so.

Now, the day of layoff went up on the 29th of November, and the notice of sale went up on the 9th of December. I question the fact that they -- You know, that seems kind of sort notice to me. But the fact of the matter was that two years before they had threatened to shut us down, and they had been threatening to close and sell for over two years.

Mr. Gillies: The company was reasonably solvent as far as you know? To the best of your knowledge the money is there somewhere to be paid?

Ms. MacDonald: Oh, yes.

Mr. Lonsdale: It is there somewhere.

Ms. McDonald: Yes.

Mr. Lonsdale: Someone has got it.

Ms. MacDonald: The side that is left has rapidly grown.

Mr. Chairman: Mr. Hennessy, you have the floor.

Mr. Hennessy: Would it be in the jurisdiction of this Committee to draft some kind of a resolution to be sent to the Ministry? Would that make any difference?

Bob, you are making a face; what is the face for?

Mr. Mackenzie: Well, if I can, Mr. Chairman. One, the staff person along with these employees that has been fighting this was forced to leave a little early. There is an ongoing investigation; what has happened is absolutely nuts in terms of the time frame. If we did not have the 50 limit, it would have been resolved long before this because essentially, a large part of the argument that deals with whether it is one or two under because of the way some people were dealt with in terms of being told they could or could not find another job and a couple of people that were on Workers' Compensation -- a number of other angles.

I think that, quite frankly, the Ministry of -- If there was ever an example of a swamp in terms of a case that should have been dealt with long before this, this is the case. But there is also an immediate check going on by Armstrong at Employment Standards that should give being us an answer back within the next twenty-four hours as to where the investigation stands. And that may give us a little more information than they are not sending any.

They have never dropped it. I think people have been hoping they would drop the case because as recently as a very short time ago they have had Ministry people telling them, "Hey, you have got a good case. This shouldn't be this kind of a delay." And yet they have been well over a year trying to establish it.

I am not sure that this Committee at this point in time with the investigation going on should be making any specific recommendations, but I think we should follow through before we finish our order on it.

Mr. Chairman: Perhaps in the writing of the report it could be used as an example of how things can --

Mr. Mackenzie: That is where I saw it as being of some real value, the kind of loopholes that really allow them to screw around with workers in terms of severance pay.

Mr. Hennessy: I think, Mr. Chairman, I'd be in favour of a motion. I am not in favour of putting it into a recommendation that is going to be lost in the traffic.

After all, these people here, money doesn't grow on trees. I do not think anybody can say that if you lose a year's severance it makes a difference if you are bringing up a family and if you are of moderate means, it makes a difference, too. And I understand that.

So as far as I am concerned, I think that this Committee here has heard these people. I am willing to sponsor a resolution to the Ministry that this Committee is concerned and we would appreciate immediate action on the matter. This is to show our concern. It is all right for us to put it in a report. But I do not know that much about it, but I sympathize with you because sometime they are fly-by-night operators and I know a woman called me today about her son --

Mr. Mackenzie: It is not fly-by-night, Mickey, it is because of the legislation that you can go past --

Mr. Hennessy: I am not arguing the point, but I am just saying we are here in the Committee and if we start to get into the legal aspects of it, we are not going to get the damned thing settled. I am saying they are before us, we are a committee, we are looking into matters of this nature, why not make a resolution to that effect, that we send a resolution whether he likes it or not, at least we show the concern of this Committee that we are interested in the people. And I would be pleased if you would draft up a resolution to that effect, or a Bill, and to move it.

Mr. Gillies: Could I make a suggestion, Mr. Chairman. I understand -- I have the same feelings as my colleague. I think we are all really ticked off from all parties because we have all had these things happen in our riding with this particular section of this Act.

I think we might be criticized as a committee for drafting a resolution about your specific case when there are many, many across the province, but I think that we could, Mr. Chairman, undertake to send a copy of this Hansard right down to the Minister with a little note perhaps from the Chairman saying that the concerns were raised and discussed at length here and he can read it for himself.

Mr. Chairman: I think that is a helpful suggestion. Why don't we draft a letter with the Clerk - and any suggestions you have would be helpful as well - draft a letter to the Minister of Labour expressing our concern about this rather than a resolution from the Committee because I think we are getting into a bottomless pit.

Mr. Hennessy: One thing has come to our attention which are many others in the Province of Ontario; is that

Bobby? What do you think? Got you going, eh?

Mr. Chairman: All right. Are there any other questions?

Mr. Hennessy: Brother Bob; I forgot.

Mr. Chairman: Are there any other questions? Sorry. Mr. McGuigan? Mr. Mackenzie, are you all right? Is that agreed then that we will do that and we will check with the Committee members --

Mr. Hennessy: And a copy to go to the people that are here.

Mr. Chairman: And we will check with the Committee members tomorrow about the wording of the letter.

Thank you very much for coming before the Committee.

Ms. MacDonald: Thank you very much.

Mr. Chairman: Tomorrow, because we are going in camera, we will be meeting in room 230 at 10 a.m.

Mr. Hennessy: At 2:30?

Mr. Chairman: Room 230. Room 230, Mr. Hennessy, not the time. Mr. Gordon?

Mr. Gordon: Mr. Chairman, just one minute. Given that this Committee has been charged with looking at plant closures - Goodyear Tire and northern Ontario - and then you get a classic example here of what happens in regard to an issue of severance pay, which is something I am sure this Committee is going to be discussing, besides sending the Minister a letter, I would think that what we should do is we should get the person responsible in the Ministry of Labour to be here tomorrow to explain firsthand why the situation has gone on as long as it has and what they are going to do about it. Otherwise, all we are is a bunch of toothless tigers. It is a pretend game, this business of going around and listening to different delegations, whether it be the Chamber of Commerce or the union people.

You know, you get something very tangible and right away you start back-peddalling. So I think we should get those people here tomorrow. Let's hear from somebody real; you know, somebody who something is happening to. Like, we had these workers today; let's get somebody from the Ministry of Labour. If we are not willing to do that, then this Committee right now should just say, "Forget it."

As a matter of fact, what really disturbs me, Mr.

Chairman, is this: is that we have seen darned few delegations since we started two weeks ago. Darned few delegations. We have been to very few communities. And I can think, for example, we should have been in Sault Ste. Marie. Now, somebody might tell me, "We tried to get into Sault Ste. Marie but we couldn't get the people to come forward" and so forth.

We should have been up in other communities as well. We should have been up to talk to people in Terrace Bay. There is a lot of communities in this province where we should be, and we have not been there. And I am really seriously concerned that this Committee is not being given the opportunity to do the work that has been laid out for it by this resolution by the House Leader for the Liberal party who announced that this Committee was being set up by the government.

I do not think it is going to reflect well on the government, and I do not think it is going to reflect well on anybody who is sitting on this Committee either. I just wanted you to know that now.

Mr. Chairman: Mr. Bossy?

Mr. Bossy: This has been a non-paid political announcement.

Mr. Gordon: Well, it happens to be a fact.

Mr. Bossy: The fact is here --

Mr. Gordon: I do not need you to tell me about what is political or what is an announcement.

Mr. Bossy: I do not worry about that, but I want to get to the point. We have just heard witnesses that were not on the schedule of hearing witnesses. It then becomes only fair, and I believe you are setting a precedent if you are going to do that, that maybe everyone in each riding -- I could bring in all those cases who have the same courtesy extended as we just extended and I do not mind.

But then we had better be sitting here day in and day out because if it is factual - and we know there are many cases out there - that we must hear them all and have the same letter that we are going to draft here presented, in other words, to the Minister of every individual by the Committee if we want to be fair to all cases. And this is exactly what we are doing.

Mr. Gordon: I do not buy that at all. I think that is a red herring. Not only that, after this morning's presentation from the Ministry of Treasury and Economics

which was just pap, which was an overview that really did not give us anything we could get our teeth into, to have you say now that we would have to let everybody come here. All you are giving us right here is a prescription for doing nothing.

Mr. Chairman: All right. May I remind members of the Committee that there was an agreement among the Committee members as a whole Committee --

Mr. Gordon: Thoroughly disgusting.

Mr. Chairman: Order please. There was an agreement among the Committee members as to what the schedule of the Committee would be. And to now retroactively, as it were, complain about that schedule is not appropriate. It makes no sense whatsoever. We were given three weeks to deal --

Mr. Gordon: I think that is total garbage.

Mr. Chairman: Well, it is not garbage, Mr. Gordon. The Committee agreed to take three weeks to deal with the whole question of plant closures. The Committee agreed on the travel schedule, and the Committee agreed on the length of time that we would have to write the report.

Now, after the fact is not the time to complain about that. There was ample opportunity to complain about the schedule before we set out upon these three weeks of hearings -- two weeks of hearings and part of one week to write a report. So I think it makes no sense whatsoever to be at this point complaining about that process.

Mr. Gillies?

Mr. Gillies: Mr. Chairman, I have some concerns that I would like to -- some concerns I would like to express about the work that we are undertaking. I have a concern about the schedule, but I want to make it very clear, Mr. Chairman, I am in no way being critical of the chair or the clerk. I think with the time given by the House Leaders that you did your best in terms of setting up a reasonable schedule of hearings so that we could try and find out what's going on out there.

I also believe, based on, certainly to a degree on the evidence that was put before the Committee, but also based on the knowledge that we all have as Members from dealing in our constituencies that there are some specific recommendations we can come up with on some specific areas. I would not want to pre-judge that, but I might suggest that certainly the loopholes in the severance pay is one that I would have no hesitation in moving on.

The question of wage protection in the case of

insolvencies, that is nothing new. We have had a major report to the government on that in the last number of years, and we have been waiting for something to happen.

But I have to say that with several notable exceptions I found the quality and perhaps the effort put into the briefs that were put before us was not that good, was not that detailed or helpful. The OFL brief today I thought was excellent. I thought the presentation in Sudbury by the Municipality was possibly, I think, the best that we had, and there were several others. But there were others and there were so no-shows and so on. I am just quite concerned about us making rather sweeping recommendations in a number of areas based on, really, I think, pretty little information.

And so I just want to register that concern in public, Mr. Chairman, because I would never say anything in camera in that regard without being up-front about it. I think we can proceed with some recommendations, but I have some concern. I think the House Leader should give us more time. I think we need more time for a final report.

Mr. Chairman: Well, a couple things, if I could add to the debate. One is that it is not as though we were starting with a completely clean slate. The Select Committee that sat between '79, '80, '81, did compare an interim report and we have that information available to us when we start tomorrow.

I think all of us has been subjected to layoffs and shutdowns in our own constituencies so we all have some experience with the issue. So I do not think it is as though we are starting from scratch. If the Committee determines that we cannot write a report in the time frame, then that is the will of the Committee. No one can tell us we have to have a report done this week; that is up to the Committee. Mr. McGuigan? Oh, sorry.

Mr. Gillies: I just want to emphasize, Mr. Chairman, I think we can make some very useful recommendations. I just would not want to see us close the door and say this is the final report because I think with more time and a heck of a lot more information that we could come out with broader and more meaningful recommendations for a final report.

Mr. Chairman: But some of us were very concerned that the same fate that befalls this Committee has befallen the Select Committee in '81 when an election was called as it was preparing a final report. And I think a lot of us did not want to be used in that sense.

Mr. McGuigan?

Mr. McGuigan: I would like to speak to two points. One, we are not a judge and jury here to sit and to look into the details of every person who has been laid off in the province of Ontario. What we are here is a group to try and come up with some recommendations to prevent those sort of things from happening. And we have had a good deal of evidence presented to us; it may not be perfect but we have lots of evidence.

But on the matter of statistics, if you look at the Ministry of Industry, Trade and Technology, there is a good deal of information there on regions and also the complete closures, partial closures, reduced operations. There is a lot of information there on northern Ontario. It may not be everything that everyone would want, but to say that we have not been presented with evidence of particularly northern Ontario, I do not think speaks to the facts. There is a lot of information here.

And I would submit that we go ahead and do our work in the time that is allotted to us and do the best possible job that we can. I guess we can always look at our handywork when we are finished, and if we are dissatisfied at that point, decide against presenting it. But I think we are prejudging things at the moment to say that we can't go ahead and do the work that was laid out for us.

Mr. Chairman: Thank you. Mr. Mackenzie?

Mr. Mackenzie: Two things and they are separate things, Mr. Chairman. First, with regards to the report and the remarks that Mr. Gillies has made, amongst others, I sat on that previous Committee. And we met and held hearings and drafted an interim report and worked on a final report to the point of getting rough drafts for it for almost a year. And we did get euchred totally by an election and majority government in terms of getting any action out of it.

Our time has been too short; we have known that. We also know that this probably should have been a Select Committee. However, that was not in the cards; it would be a mistaken now not to write as complete a report as we can. And I think the recommendations are there. It is a question of what people will or won't accept in the way of those recommendations, and that, I guess, is what we will find out in the next couple of days. And I see it as a bit of a cop-out in the effort to come in with only a partial report. I do not think it is necessary.

Secondly, I just want to take umbrage at my good friend, I hope, - I've smoked enough of his cigars, and Mickey Hennessy, in terms of trying to put a motion with regards to Premier Plastic through this Committee at the

very last minute. I have no difficulty with it. I've been on the phone for about twenty minutes raising hell with various people in the Ministry over this case. But what I also essentially did was open the door and got a conversation between Mr. Peters who is the chap that has done all of the negotiating and he had some private conversations with the Ministry people that was hopefully going to result in some answers.

Now, he may not give a damn. We had three of the actual workers here and they are what counts. While they have been in on it, they have not been doing the negotiating. And after somebody has finally opened the doors again and got something going in terms of trying to resolve a case, have somebody that knows fuck-all about it - and pardon my language, Mickey - try to move a motion out of this goddamned Committee at that stage I think was a stupid and potentially a dangerous doggone move in terms of settling their problem. So I was more than annoyed at that, let me tell you. Let me put it on record clearly.

Mr. Chairman: I think perhaps you might wish to withdraw one of your sentences so that it doesn't show on Hansard.

Mr. Mackenzie: I apologize for the swear word that I may have used.

Mr. Chairman: Okay. Mr. Wildman?

Mr. Mackenzie: They should have at least been consulted, and certainly the person that had opened up the communication should have been consulted before we move something like that. It may very well screw up his meeting.

Mr. Chairman: Mr. Wildman?

Mr. Wildman: Mr. Chairman, I apologize for not being here this afternoon to hear the OFL brief, but I did read it. They presented it to me when they came in earlier at the beginning of the session this afternoon. I had to be in another Committee.

But, just in response to the comments that were made about whether or not we can come up with recommendations after the short period of time we have been working, I would hope that all of the members of the Committee have read the work of the previous Committee. I think that is a responsibility of each of us as members of this Committee.

I would hope also that we have read very carefully the work that has been done by Albert in bringing things together. I would hope, too, that all members of the

Committee have read the Rosehart committee report. There were two of us that were on the Committee and so we have had the value of the experience of having travelled throughout the north and heard presentations at those hearings and worked hard at making recommendations.

So if that is the case, that we have consulted all of those documents along with the useful presentations - and perhaps some not so useful presentations have been made before the Committee - I think we have the groundwork for actually coming up with some proposed recommendations that we can then work together with on this Committee. I think that it would be most unfortunate if we, as a Committee, decided that we needed more time and thus were unable to come up with anything substantial.

As a Member from northern Ontario, I resent the fact that we have study after study, committee after committee, consultant after consultant, task force after task force, studying problems in northern Ontario and having hearings in northern Ontario. We had people appear before us on this Committee who have appeared before a myriad of committees and task forces and said the same things.

Some time or other we have got to sit down and say, "Okay. We have got all this information. We do not have to go out and get some more information. We have got information. Now let's do something about it." And if we worked with all of the information that has been presented to us and it is available to us as members of this Committee, I think that we have the basis on which to make some substantive recommendations with regard to notice, and severance and justification in terms of layoffs and shutdowns and that we also have the basis on which to at least make statements of whether or not we endorse recommendations that have been made in the past by other task forces and committees about the problems of single industry towns in northern Ontario.

I do not think that it was necessary for this Committee to duplicate the work that was done by Dr. Rosehart and his committee. I think it would have been silly for us to. I think it is incumbent upon all of us to certainly read what that committee recommended, and to take into account what Dr. Rosehart himself said to us before the Committee and to be able then, as a Committee to say, "Yes, we agree with these recommendations of the Rosehart Committee" or "We would like to adapt them in such and such a way" or "We do not agree with certain ones."

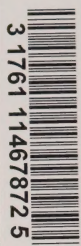
So I think that we can start the work now. We certainly do not have much time. I would have preferred to have more time, but that should not be a reason for saying we can't do the job that has been presented to us.

I think we should get at it and certainly, for our party, Bob Mackenzie and I are prepared to present to the Committee and to Alberta a number of proposed recommendations that deal with severance and layoffs and justification with regard to layoffs and closures and which respond to a number of the recommendations of the Rosehart Committee with regard to northern Ontario; and I am ready to get going on that.

Mr. Chairman: Any other comments? If not, then we will - I do not think we should start today - I think we should adjourn, and tomorrow at 10 a.m. in room 230 we will commence again. And, Mr. Gordon, you are first on the list. We are adjourned.

The Committee recessed at 4:18 p.m.

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